

# Nation's Business<sup>®</sup>

The Small Business Adviser

**How To Connect To  
The Electronic World**

**Finding Workers  
Through The Web**

**On-Line Commerce  
Raises Legal Issues**

## Making The **Internet** Work For You



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*Robert Hu is among the entrepreneurs nationwide who are tapping the global network's power to energize their companies.*

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# Making The Internet Work For You



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# Editor's Note

## When A Front Moves In

The Internet is a bit like the weather. It's here whether you like it or not, and so your best bet is to use it to your advantage. Our intention with this special issue of *Nation's Business* is to help entrepreneurs explore the potential of this fascinating tool and to offer additional ideas for those already doing business on line.

Largely responsible for planning this issue was Deputy Editor Al Holzinger, a computer aficionado with abundant Internet experience. Just as important, however, is his grounding in the day-to-day realities that small-business people face. In fact, he helps us deal with similar challenges at *Nation's Business*, like getting our computer system back up when it crashes on deadline—as it did with this issue.

(That's Holzinger in the photo above with Mindy Franklin, business director for S&S Public Relations Inc. of Northbrook, Ill., at the recent ComNet trade show in Washington, D.C. One of her clients, Racial Data Group in Sunrise, Fla., makes communications devices that enable companies to make high-speed Internet connections.)

A good place to start reading is our cover story, beginning on Page 6. It was written by Senior Writer Tim McCollum, whose background in technology helps shape every issue of *Nation's Business*. Associate Editor Steve Rush on our copy desk played a key role in overseeing many of the finer points in the Internet article collection.

When you're through reading, please let us know *your* thoughts on doing business on the Internet. Information on how to reach us is on Page 5, at the end of Letters to the Editor.



PHOTO: T. MICHAEL KEENE



PHOTO: GARY BARTHOLOMEW

A Web site is a hot sales tool for specialty-sauce retailers Perry Lopez and Monica Bosserman Lopez. Page 16.

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Among the other important articles in this magazine is "Opportunity's Many Faces," beginning on Page 38. There we announce the 1997 state honorees in the Blue Chip Enterprise Initiative.

The annual program is sponsored by Massachusetts Mutual Life Insurance Co. (known as MassMutual—the Blue Chip Company), the U.S. Chamber of Commerce, *Nation's Business*, and "First Business," the weekday

TV news show presented jointly by MassMutual and the Chamber.

We salute these fine companies and hope you will, too. We also encourage you to watch for profiles of the national honorees in April.

*Mary Y. McElveen*

Mary Y. McElveen  
Editor



# Nation's Business

## Letters

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## A Perspective Seldom Found in Japan

I am a Japanese businessman in Tokyo who runs a small company that specializes in technical support for the manufacturing of magnetic media such as 3½-inch floppy disks. I often read *Nation's Business* during my flights overseas (in fact, I am typing this message while traveling to Bangkok), and I find it fun to read and full of helpful hints.



I enjoyed your January cover story—"Clear Sailing?"—about the small-business outlook for 1997, and I was especially impressed with the section on whether to consider relocating a business to a different part of the United States.

I believe that this point of view would seldom be given by the Japanese news media.

Generally, until recently at least, most Japanese entrepreneurs have sought their chance in the big city—i.e., Tokyo—and few of them have decided that another, less-populous area would be the most suitable place for their business.

There was one recent report that charted and compared the local prefectures of Japan by various subject areas, but most media reports are based only on general statistics and do not give a clear view to those who seek to start small businesses.

Also, I have a question for your readers: Is there anybody who thinks that Japan would be a good place to establish a small business?

*Hiroshi Yoshioka  
Managing Director  
Teet Co., Ltd.  
Tokyo*

## Association Trade Shows Can Get The Job Done

After reading the letter to the editor in the January issue from George Lawshe, president of Master Video Systems, Inc., I have two points to make in response.

First, Mr. Lawshe's advice that you caution your readers about association trade shows where the "real focus is not on the trade show but on the meetings" is based on a generalization that doesn't always ring true. While some organizations may concentrate more on the meetings, there are many trade-association-sponsored exhibits where the attention given to educational sessions and to activity on the show floor is equal.

When trade shows are properly organized and promoted, they offer an excellent opportunity for association members to meet with vendors and become familiar with products and services designed to help their business or profession.

Second, exhibiting in an association-sponsored show can demonstrate an active interest in the industry and can help position the vendor as a partner rather than a peddler.

*Joseph P. Truncolo  
Executive Vice President  
National Association of Printers  
& Lithographers  
Teaneck, N.J.*

## Golf Article's Advice Lands In The Rough

I take exception to item No. 2 in "Mind Your Manners From Tee To Green," the article that accompanied "The Greening Of Deal Making" [December].

The advice stated that golfers shouldn't arrive at the course with plastic covers on their irons or tubes for their clubs. "That's a dead giveaway that you are a novice," it stated.

I have been playing the game for more than 25 years, and I have always used tubes and covers. With the cost of equipment today, and the fact that I play 170 to 180 rounds a year, the use of tubes and covers makes good sense to protect the investment in clubs.

More important, if I were doing business with a client on a golf course, the fact that he took good care of his equipment would lead me to believe that he was someone who was careful with his investments.

*Aaron B. Whitaker Jr.  
Middleton, Va.*



## Balancing The Costs For Card Processors

I believe some of the information in "The Minefield Of Merchant Status" [January] was misleading and unfair.

The prices quoted for the equipment for processing credit-card transactions barely covered the wholesale costs with shipping. What about some income to cover the high costs of being an independent sales organization (ISO)? Does a furniture store buy a couch for \$950 and sell it for \$960?

There are three ways to make money in the bank-card-processing business: (1) through the discount rate (the percentage the merchant pays for each transaction); (2) on the equipment purchased; and (3) from application fees. The article seemed slanted against ISOs and the banks they represent, implying that they should make their profits from the discount rate.

Many banks do charge 2 or 3 percent. Sure, some give away the equipment at close to cost, but the discount rate they charge will more than make up for that in the future.

Our company charges a storefront merchant who has \$10,000 in annual credit-card processing 1.48 percent plus 20 cents per transaction. As an example, if a car-repair business pays a 3 percent discount rate on \$10,000 in card charges and has an average ticket of \$400, it would pay \$300. With our company, the cost would be \$153.

At the same time, we charge a fair price for card-processing equipment. Some ISOs sell for \$2,000 or lease for more than \$70 a month the same equipment package that we sell for \$1,463 or lease for \$50 a month.

My point is that some of us do charge fair prices for equipment and have affordable discount rates. And in the long run, it is less expensive for merchants to obtain a lower discount rate and pay a fair price for equipment than to pay a higher percentage and get the equipment at close to wholesale cost.

*Matt Jordan, President  
Affordable Merchant Services  
Poughkeepsie, N.Y.*

## Responsibility Is In The Eye Of The Beholder

Your January story "In The Trenches Of Welfare Reform" quotes a small-business owner who feels that small-business people have a responsibility to hire welfare recipients.

I believe that the responsibility of small-business owners is to keep their companies financially strong so they can hire people who take individual responsibility to prepare themselves to be hired.

Why is it that so many people refuse to



hold others responsible for themselves?

In the past year, my company has been through more than 150 people—some who have been on welfare and some who have not—to keep 10 positions filled. The slack work ethic and "you owe me" attitudes that I have

seen demonstrated are enough to make any business owner wish for robots!

*Jeffrey M. Scott  
President  
Allan Tool & Machine Co., Inc.  
Troy, Mich.*

## Clarifying A Point On 401(k) Matches



The chart that accompanied "Small Firms' New Retirement Choices" [February] stated that the maximum employer contribution under a SIMPLE 401(k) plan is a dollar-for-dollar match of employee deferral up to 3 percent of salary, not to exceed \$6,000.

The maximum employer contribution under a SIMPLE 401(k) plan is \$4,800, not \$6,000. Only compensation up to \$160,000 is taken into account, and 3 percent of \$160,000 is \$4,800.

*Bernard Fruchtmann  
Publisher and Editor  
Tax Talk—Plain & Simple  
New York City*

[Editor's Note: Mr. Fruchtmann is correct that the maximum employer match for 1997 is \$4,800, based on this year's \$160,000 salary cap. However, T. Rove Price Associates, the source for the chart, notes that the salary cap is indexed annually for inflation and that the law specifies that the employer match may not exceed \$6,000 a year.]

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**Nation's Business**  
The Small Business Adviser



## COVER STORY

# Making The Internet Work For You

By Tim McColham



PHOTO: SILVIA BUE SCOTT

**T**he Internet has revolutionized the way A&a Printers and Digital Graphics in Menlo Park, Calif., and many of its customers do business.

Three years ago, before A&a established a business presence on the global computer network, all customers used to interact by phone, by mail, and on a walk-in basis with the small commercial printer.

Today, customers with computers and modems dial in to A&a's site on the part of the Internet known as the World Wide Web to place orders, track the status of their projects, make revisions to those projects, and submit questions via electronic mail.

Moreover, A&a's paper broker checks the company's production schedule daily via the Internet to determine the quantity and types of paper that will be needed for the next day's work. Consequently, A&a does

*Communications between customers of A&a Printers and account representatives K. Michael Riley, right, and Michelle Reynolds-Silva have improved thanks to the company's Web site, says Robert Hu, president.*

not have to order paper by phone or store large quantities on site.

In all, the Internet has significantly streamlined the way A&a does business while increasing customer service and satisfaction, according to the company's president, Robert Hu. "Printing and publishing have always been a collaborative function," he says. "We saw the Internet as an opportunity to link them together."

A&a was in the initial wave of companies that set up a presence on the Web in

1993. Hu had been looking for a way to give his customers greater involvement in their print jobs; the Web site seemed a natural solution because it would give computerized clients fast and easy access to A&a's document-management system.

Hu says that the business decisions that the clients' editors, designers, and managers and A&a's 20-person staff once made only after swapping telephone calls and visiting A&a's printing plant are now made with the help of the Web site and e-mail. Clients can post messages and make revisions to documents on line, and the site's computer software automatically and invisibly logs what changes are made and by whom.

According to Hu, the Web site ([www.aaprint.com](http://www.aaprint.com)) allows clients to use A&a as if it were their in-house printing depart-



*The global computer network has sparked a gold rush for the 1990s. Businesses that don't catch the fever may be left in the dust.*



ment—rather than an outside contractor. Hu says he hopes to use it eventually as a mechanism for teaming with other vendors to provide a wider range of publishing and printing services and resources for customers.

"We've never looked at the Web to solicit business but to improve business with our existing customers," says Hu, even though the company has attracted new customers with its Web site.

By emerging as a finalist in a recent national competition for Internet innovators, A&A established itself among the small companies at the forefront in making the Internet an effective business tool. These businesses are leveraging the Internet to improve productivity, communications, and customer service; to market products and services; and to obtain information.

"Companies can use it to do a lot of things that they probably were spending more money to do some other way," says Mary J. Cronin, a professor of management at Boston College and the author of *Doing More Business on the Internet: How the Electronic Highway Is Transforming American Companies* (Van Nostrand Reinhold, \$29.95). "At the same time, it opens up new opportunities that they otherwise wouldn't have had."

Cronin says the Internet is creating opportunities for new and existing companies. Many of its early success stories, she notes, have involved small companies nimble and entrepreneurial enough to set sail in its largely uncharted waters.



An on-line catalog is producing about 10 percent of sales for the owners of Woodmere Camera, Richard Tillis and his father, Eddie.

surveyed in January said they were using the Internet, up from 19 percent just 10 months earlier.

Other evidence suggests that small companies, no matter what their industry, can no longer afford to ignore the Internet, mainly because their customers and trading partners may want them to use it and because their competitors may already be taking advantage of it.

"It's important to be on the Internet now," says Daniel Dern, an Internet consultant in Newton Centre, Mass., and the author of *The Internet Guide for New Users* (McGraw-Hill, \$27.95). "It's like getting a phone and making sure there's a [greeting]

on your answering machine. You should at least have a couple of people who know how to access the Internet."

Personal and business use of the Internet has taken off in the past four years. A New York City technology-research firm, Find/SVP, estimates that 37.8 million adults in the United States—business people and other members of the public—have access to the Internet. That is double the number of only a year ago.

The number of companies doing business on line is also growing. According to Network Solutions Inc. of Herndon, Va., which registers domain names—Internet addresses—in the United States under a

#### A Change in Attitudes

Nonetheless, small business generally has been slow to tap into the Internet. In fact, a recent survey by HW Research Services of Dallas suggests that many entrepreneurs still aren't convinced that the Internet offers any tangible benefits for their companies. However, a recently updated survey by George S. May International Co., a management consulting firm in Park Ridge, Ill., indicates a great change in the attitudes of small-business owners toward the Internet. More than 45 percent of small companies



## COVER STORY

contract with the National Science Foundation, there are already more than 600,000 commercial domains, up from 236,000 in February 1996. They make up 89.3 percent of the domains registered by the company.

Forrester Research in Cambridge, Mass., estimates that Internet-related commerce will approach \$200 billion in 2000, up from \$15 billion in 1996. Business-to-business commerce accounted for 4 percent of the 1996 total but is expected to climb to 33 percent by 2000.

#### The New Electronic World Order

The Internet hasn't always been friendly to business. Launched in 1969 by the U.S. Department of Defense, the Internet was intended to link universities with government research facilities, allowing researchers in various locations to communicate and exchange documents and other information by computer. The Internet quickly spread worldwide, becoming a super network



PHOTO: SHERRY STANLEY

**Insurance agent Doreen O'Donovan offers clients an on-line source of coverage information in addition to personal meetings.**

consisting of many lesser networks.

Throughout the 1970s and '80s, the Internet and business were incompatible notions, with violators of the Net's non-commercial culture greeted with vitriolic e-mail known as "flames." (See the story on

Internet etiquette on Page 13.) The Internet began to open up to business about three years ago, as companies and individuals became increasingly interested in using their computers to communicate.

Commercial Internet service providers (ISPs) significantly relaxed the rules against commercial activity on their networks, making the Internet more hospitable to business. Old-guard users grumbled but were soon outnumbered by business and individual users who accessed the Internet via ISPs and on-line services.

One thing almost all new users discover quickly is that the Internet isn't a monolithic, single-purpose network but a vast matrix of networks supporting a multitude of applications such as:

- Electronic mail, or e-mail, which allows people to send messages by computer to others on the Internet.

- Discussion areas—newsgroups, bulletin boards, "chat" areas, and mailing lists—which allow people with common interests to discuss issues and exchange ideas.



sons over the Internet or a private network.

**E-mail address:** An electronic location for receiving and sending e-mail. E-mail addresses are used to identify and contact users. They take the form: `username@company.com`.

**FAQ:** Frequently asked questions. A list of common questions about a particular subject such as a newsgroup or a Web site.

**Firewall:** Computer hardware and software that prevents Internet users from accessing part or all of a private computer network that is attached to the Internet.

**Flame:** An angry e-mail message or newsgroup posting.

**FTP:** File transfer protocol. A software protocol that allows people to copy or move files from a remote computer—called an FTP site—to their own computers over the Internet.

**HTML:** Hypertext markup language. The software language used to create World Wide Web pages.

**HTTP:** Hypertext transfer protocol. A

## The On-Line Lexicon

The Internet has spawned its own vocabulary combining technical devices and user jargon.

Following are some of the terms that you're sure to encounter if you use the Internet. Many of them are used in this issue of *Nation's Business*.

**Backbone:** The main international telecommunications networks that carry Internet traffic among other national, regional, and local networks.

**Bandwidth:** The amount of data that can travel in a given time, usually one second, across a network or a connection to a network such as a modem.

**Browser:** Software that allows a user to navigate the World Wide Web by clicking with a mouse on underlined text and graphical objects similar to those found in the Microsoft Windows and Apple Macintosh operating systems.

**Client:** A personal computer attached to any network, including the Internet. Also, personal-computer software that gives access to, and enables use of, the Internet, either by modem connection or by connec-

tion to a local area network and related hardware.

**Cyberspace:** A popular term encompassing all computer networks, including the Internet, on-line services, and private networks.

**Domain name:** An Internet address, commonly in the generic form `company.com`. Six types of domain names are currently used in the United States: `.com` for businesses, `.edu` for educational institutions, `.gov` for government agencies, `.mil` for the military, `.net` for networks, and `.org` for organizations.

**Download:** Bringing data from the Internet into a personal computer.

**EDI:** Electronic data interchange. It allows companies to place orders, bid on projects, and make payments over the Internet or private networks.

**Electronic commerce:** Conducting sales or other business transactions over the Internet or private networks.

**E-mail:** Electronic mail. A message sent from one person to one or more other per-



■ File libraries, known as FTP sites, where people can retrieve documents and software.

■ The World Wide Web, the graphical portion of the Internet that allows people to locate and view documents containing text, graphics, video, and sound with a few well-placed clicks of a mouse.

#### An Image Enhancement

Some of the obvious winners in the current Internet mania are companies that have been able to generate sales over the World Wide Web—companies such as Woodmere Camera in Lynbrook, N.Y.

Woodmere, a rare-camera dealer, began selling through its Web site ([www.woodcam.com](http://www.woodcam.com)) two years ago. The Internet provided the family-owned business a new way to serve its highly specialized clientele.

Before establishing its Web site, Woodmere took orders from customers worldwide by phone and mail. Now customers can shop through the company's on-line catalog, request information by e-mail, and place orders by filling out an electronic form.

Richard Tillis, co-owner of the firm with his father, Eddie, says the Web site has



PHOTO: PAUL F. GORD

The speed and reach of e-mail attracted China Mist Tea's president, John Martinson, to the Internet.

helped enhance Woodmere's reputation among aficionados worldwide as a source for hard-to-find cameras.

"Our business is very right for the Internet," says Tillis. "It's not like we're selling something that people can get anywhere. Most of our business is interna-

tional. The Internet is a great way for [customers] to communicate with us for the cost of a local call."

When Woodmere launched its Web site, only a small number of firms were selling products on line. A local software consultant, Shimon Lichtman, set up Woodmere's Web site and order-processing system and hooked it up with an on-line mall called Business1.com. The mall is managed by SBT Corp., a San Rafael, Calif., firm whose server computers store the Web sites of Woodmere and other on-line "tenants."

Tillis began to advertise his site in the camera-collecting magazine *Shutterbug*, through fliers he sent to people on Woodmere's mailing list, and through placement on Internet search engines and directories such as Lycos, WebCrawler, and Yahoo, which allow users to search for specific content by key words or phrases.

So far, Tillis says, sales from the Web site make up about 10 percent of the company's revenues. Many visitors to the site are seriously looking to buy. "For every 10 [e-mail] messages I get, two or three are

communications protocol that allows people to navigate among documents or pages linked by hypertext and to download pages from the World Wide Web.

**Hypertext:** A software format that lets users embed into documents the links to other documents. It also allows multiple documents to be represented by one page.

**Internet:** A global network of computer networks that allows people to send e-mail, participate in discussions, and access information.

**ISP:** Internet service provider. A company that sells access to the Internet to businesses and individuals. Also called an Internet access provider.

**Intranet:** A private network within a company or organization that may allow users to connect to the Internet but limits access from the Internet.

**IP address:** Internet protocol address. This identifies a particular computer on the Internet.

**ISDN:** Integrated services digital network. A high-speed communications system that allows people to connect to the Internet and to send and receive data in digital form over telephone lines using a

device called a terminal adapter. Unlike modems, ISDN does not require computer data to be converted into analog voice signals. ISDN can transfer data at speeds of up to 128 kilobits per second.

**Java:** A software language that allows people to build interactive Web sites.

**Link:** A hypertext code that allows people to move from one document to another by clicking on the link with a mouse.

**Link:** Observing the activities of a discussion group such as a newsgroup, chat room, or mailing list before posting messages.

**Mailing list:** Similar to newsgroups (see below), mailing lists allow people to discuss common interests by posting messages, which are received by everyone in the group. Unlike newsgroups, people must subscribe to a mailing list to post and receive messages. Also called a listserv.

**Modem:** A device that allows a computer to connect to the Internet over phone lines.

**Network:** A group of computers linked by a common communications protocol.

**Newsgroup:** One of more than 10,000 discussion groups on the Internet where people with similar interests can post mes-

sages. Also called Usenet groups.

**On line:** The generic term for the Internet and on-line services.

**On-line service:** Services such as America Online, CompuServe, the Microsoft Network, and Prodigy that provide members Internet access, e-mail, discussion areas, and information.

**Search sites:** World Wide Web sites that allow users to search for specific content by key words or phrases. Popular search sites—some are search engines, others are Web directories—include AltaVista, Excite, Lycos, WebCrawler, and Yahoo.

**Server:** A computer that people dial into by modem or over a network to gain access to the Internet. A server is also used to host Web, FTP, and chat sites.

**Secured server:** A server using software that protects the privacy of electronic transactions conducted over the Internet.

**URL:** Uniform resource locator. The location or address of a Web page; an example could be <http://www.company.com>.

**World Wide Web:** The matrix of graphical information stored on servers connected to the Internet.



## COVER STORY

orders, and three or four are probable orders. My batting average is pretty good."

Woodmere is typical of small companies that have devoted time, energy, and money to establishing a full-scale presence on the Web. The top motivating factors for most of these companies are improved sales and marketing, according to a survey conducted by International Data Group, a technology publishing and research company in Boston, and by Intelliquest, a technology research company in Austin, Texas.

But selling to the masses remains an elusive goal for many companies, small and large. Forrester Research reports that retail sales over the Internet totaled just \$530 million in 1996, or about 4 percent of total Internet-related commerce. Although the firm expects retail sales will still be at 4 percent by 2000, it forecasts that total Internet commerce will increase 13 times over by that time.

One-third of current Web users make purchases on line, according to International Data Corp., a research firm in Framingham, Mass. Researchers expect Internet sales to increase dramatically as more people gain access to the computer network.

#### Security Concerns

The future of Internet commerce nonetheless faces some significant obstacles. Most

**"Once more customers are used to the Web, I think it will help customer service. It will be great because it will eliminate telephone tag and put information in writing."**

—Insurance Agency Owner  
Doreen O'Donovan

consumers, for example, still do not use the Internet, and most of those who do are wary of making purchases over it.

Technology executives say that sending a credit-card number over the Internet is no less secure than handing it to a waiter in a restaurant. Yet market research shows that most consumers want greater assurance that the Web is secure before they submit their credit-card numbers to on-line merchants.

"The security of electronic commerce is in its infancy right now," says Dick Peck,

vice president of business development for O'Reilly & Associates Inc., a publishing and research firm in Sebastopol, Calif. O'Reilly recently released a study that showed that only about 3,000 Web sites had the mechanisms in place for conducting on-line sales securely.

Although mass consumer sales on the Internet may be yet to come, many small companies are taking the path traveled by A&A Printers and using the Internet to market their companies and improve customer service.

#### A Fourth Channel

Forrester analyst Julie Meringer says the Internet provides a "fourth channel" for reaching customers, along with the telephone, mail, and face-to-face contact.

But to compete effectively with the more than 600,000 Web sites, companies must constantly ensure that the information on their sites is fresh, useful, and compelling. They must also respond quickly to customer inquiries. Otherwise, people won't return to their sites.

Insurance agent Doreen O'Donovan is among the entrepreneurs using the Web to promote their businesses. The owner of the D O'Donovan Agency in Boulder, Colo., O'Donovan believes the Web site she established last summer to communicate with

## Exploring The Internet

The best way for entrepreneurs to discover the vast potential of the Internet is to log on and poke around. These functions are easy, and it doesn't require a big investment of money or time to get a general idea of the Internet's content and capabilities.

You'll need a computer, a modem, and an account with an on-line service or an Internet service provider (ISP).

On-line services such as America Online, CompuServe, the Microsoft Network, and Prodigy give users access to Internet services—the World Wide Web, electronic mail, newsgroups, and file libraries (or FTP sites) where documents and software can be retrieved. The services offer additional content available only to subscribers.

ISPs specialize in providing Internet access. They range in size from large national companies such as AT&T, GTE, and MCI to small, local firms. ISPs sell direct access to Internet services and generally lack proprietary content.

Making sense of the choices can be difficult. Here are some questions to ask before you sign up.

**How much does Internet access cost?** The price varies. Entry-level rates designed to appeal to light users generally provide three to five hours of access a month for less than \$10, plus an hourly fee for any additional time. Unlimited-access accounts typically cost a flat rate of about \$20 a month. In addition, some ISPs—but not on-line services—charge users a fee for setting up an account and for any software provided.

**Does the ISP or the on-line service provide high-speed modem access?** Most new modems send data at up to 28.8 or 33.6 kilobits per second. Anything slower can be frustrating. Faster 56-Kbps modems are just beginning to reach store shelves, and many ISPs support ISDN connections, which use telephone lines and a device called a terminal adapter to transfer data at speeds up to 128 Kbps.

**In how many cities does the provider or service have local Internet-access phone numbers?** Frequent travelers will want a service that offers either toll-free or local-dial ac-

cess in areas they are likely to visit, to avoid long-distance charges.

**Does the provider or service offer telephone support?** New users are likely to have questions and problems when they try to install software or set up a modem before getting on line. Many providers encourage users to seek help by e-mail or through a frequently asked questions (FAQ) list, but more-capable ISPs will offer phone support.

**Is the provider or service dependable?** Find out how long it has been in business, how many customers it has, the speed of its connections to the Internet's network backbone, and the number of simultaneous callers its network can support. Internet providers of all sizes are struggling to keep up with rapidly increasing demand for Internet access, which can lead to slow networks, busy signals, and disconnections.

**Does the provider or service want a long-term commitment?** Many ISPs and on-line services offer lower rates if a customer agrees to a service contract of one year or longer. That leaves little recourse for a dissatisfied customer.



current and potential customers will help consumers become better informed about insurance coverage without dealing with an agent directly.

The site ([www.indra.com/amfamco](http://www.indra.com/amfamco)) includes O'Donovan's newsletter and explains different types of insurance policies she offers from American Family Insurance.

Visitors to the site can send O'Donovan questions by e-mail and request quotes on automobile, home, and life insurance.

"It's a perfect way to explain things," O'Donovan says. "If they want a little bit of information, they can read it on the main screen. And if they want something in-depth, they can go further."

From the beginning, O'Donovan's Web site has been a personal endeavor. She first explored the Internet at a public-access terminal at the Boulder Public Library. At the time, she found only a dozen insurance companies on the Web. A month later, there were more than 100.

Sensing an opportunity to market her firm and become a resource, O'Donovan contracted with a local ISP, Indra's Net Inc., to host her Web site on its servers. Then she set about designing the site herself. A computer novice, she spent weekends and evenings writing her own code in hypertext markup language (HTML), the format that makes documents accessible on the Web.

Although O'Donovan's Web site has been visited by Internet users from as far away as France, her main goal is to improve service for people in Boulder and the surrounding area.

"Once more customers are used to the Web, I think it will help customer service," she says. "It will be great because it will eliminate telephone tag and put information in writing."

Many companies base the effectiveness of their site simply on the number of people who have visited it, which is recorded by the site's server software. But knowing the number of visitors doesn't tell these companies much about their users.

More information can be obtained now with new Web-server software from vendors such as Microsoft Corp. and Netscape Communications Corp. that allows a company to track what people do on its site and trace how these people found it.

For \$200 to \$3,000 a month, entrepreneurs can also contract with services such as Nielsen/IPro (212-708-7714) and

Netcount LLC-Price Waterhouse (213-848-5700), which can measure the effectiveness of on-line advertisements based on the number of times visitors click on a site using a mouse.

#### The Power Of Communications

Indeed, communications capabilities, such



PHOTO: MIKE STANBISH-BLACK STAR

*Making bids and fulfilling orders became easier thanks to the Internet, says Richard Wilson of Matrix Tool.*

as those pursued by O'Donovan, are the Internet's greatest strengths, and e-mail is its most basic and useful component.

"It's the most popular on-line activity," confirms Kate Delhagen, an analyst with Forrester Research. "It's easy to use, and it's open 24 hours a day." Forrester predicts that within five years, 50 percent of the U.S. population, or about 135 million people, will communicate regularly via e-mail, up from 15 percent now and just 2 percent in 1992.

For many companies, e-mail is becoming more efficient and economical than postal mail, faxes, and phone messaging as a means of reaching employees and customers alike. Businesses can send messages instantly to people anywhere in the world using e-mail, and they can send entire documents as attachments to their e-mail, saving paper and postal costs.

Companies can also provide automatic e-mail responses to customer requests and questions.

"Electronic mail lets you send everything from one-line messages to spreadsheets and sales updates quickly," says Internet consultant Dern, who concurs that e-mail can save money and time.

Moreover, Dern says, e-mail is relatively inexpensive to install. Many companies can start with a simple dial-up account with an on-line service or ISP for less than \$20 a month. Such an account enables them to use their computers and modems to connect with the service.

Improving communications was what attracted John S. Martinson, president of China Mist Tea Co. in Scottsdale, Ariz., to the Internet. Martinson was looking for a better way to exchange information with customers, employees, and attorneys. Internet e-mail offered an easy means for the tea distributor to reach all three, so China Mist hired GlobalCenter Inc., an ISP in Sunnyvale, Calif., to connect its company network to the global network.

What Martinson didn't expect was the quick payoff in cost savings and increased productivity that e-mail would bring. China Mist's attorneys charge the company a lower fee now because it uses e-mail to communicate and exchange documents.

And Martinson and his salespeople can keep in touch with the home office while they are on the road—an improvement over phone calls and faxes, he says. "With e-mail you can send copies of documents and do a lot more that you can't do with faxes and voice mail. You can get e-mail anywhere."

In fact, Martinson says e-mail has become the quickest and easiest way to get in touch with him. He says using e-mail is less trouble than drafting formal letters and addressing envelopes. And it's as

easy to send a message to several people as it is to one person.

So far, China Mist has been careful about using the Internet for marketing. The company only recently got a Web site ([www.chinamist.com](http://www.chinamist.com)) up and running to provide information to customers.

While using e-mail to target new customers may seem tempting, Martinson is wary of it. "I hate getting junk e-mail," he says. "I like getting e-mail from people I've established a relationship with. Junk e-mail's just the same old stuff in a different form."

Martinson is right to be concerned. Generally, companies that have attempted to use e-mail as a mass-market-





## COVER STORY

ing technique have been greeted with scorn by Internet users.

Three years ago, an Arizona law firm posted an advertisement on all of the more than 10,000 Internet newsgroups, discussion areas where people with similar interests post messages. The response was instant, with angry users bombarding the company's e-mail box with flames. The deluge shut down the server of the firm's ISP, which immediately deactivated the firm's account.

More recently, America Online, an on-line service based in Dulles, Va., blocked messages from a Pennsylvania company that attempted to send e-mail advertisements to all of the service's users. The Pennsylvania company sued, but in November a federal District Court in Philadelphia ruled that AOL had not violated the company's free-speech rights.

E-mail, newsgroups, and the Web are proving to be excellent resources for finding business opportunities and generating sales leads, even though overt direct marketing hasn't been accepted by many users of the Internet.

#### Information Exchange: A Two-Way Street

China Mist's Martinson has discovered that the Internet can be a valuable research tool. It has proved to be especially helpful for keeping up with developments in the restaurant industry.

China Mist distributes its products to restaurants throughout the United States. While few of its customers are on the Net, Martinson says a number of Web sites provide information about restaurant industry trends and issues and about the company's competitors.

The Internet has become an electronic library, one that can give companies a tangible business advantage. News resources—including magazines, newspapers, wire services, and television networks such as CNN—abound on the Net, offering quick access to the latest national, world, business, and financial news from leading sources.

Business-information sites such as BizWeb and the Home Financial Network Inc. provide business news and advice plus links to other helpful resources. Industry associations and trade organizations have begun to offer information on line to companies. Much of the information is provided free or at a low cost.

Entrepreneurs can use the Internet to find leads to business opportunities, including sales prospects, trading partners, and sources of products and services. Moreover, they can gather a wealth of intelligence

about their industry and their competitors.

"We find the Internet is a great place to find out information about our customers, information that we'd ordinarily have to wait for," says Peter A. Lehrman, president of Emerging Technology Search Inc. (ETS), a job-placement firm in Roswell, Ga. "It's really a door for us to see a lot of companies and find all sorts of information."

Last summer, Lehrman was looking for

in the first three months from people we found on the Web."

#### Business-To-Business Connections

Finding job candidates isn't the only reason ETS uses the Internet. Many of the company's clients are technology companies or information-technology professionals employed by large corporations, who Lehrman says prefer to communicate electronically.

Other small companies are finding that their large corporate customers want them to do business electronically. Over the past decade, companies such as Chrysler Corp., General Electric Co., and Wal-Mart Inc., along with the federal government and many banks, have asked or ordered their trading partners to use computer-network links to process orders, bid on jobs, and make payments.

This information processing, called electronic data interchange (EDI), automates financial transactions among buyers, sellers, and financial institutions and gives the final customer greater control over the manufacturing process.

For many small companies, though, EDI has been too expensive to implement because it requires a significant investment in new computer hardware and software, plus a subscription to a private network that links the company to its customers.

New developments, however, are making EDI less expensive. In the past year, EDI network operators such as GE Information Services (GEIS), Harbinger Corp., and IBM Global Services and new players such as Industry.net, a three-year-old service from Nets Inc. in Cambridge, Mass., have rolled out systems that bring electronic commerce

to the Internet. The systems allow small businesses to connect via the Internet to new and existing trading partners around the globe at a fraction of the cost of EDI over a private computer network.

Companies can now track inventory and carry out transactions over the Internet, says Steve Raber, vice president of network-computing solutions for IBM Global Services. "EDI has been good, but this will explode by orders of magnitude."

That's good news for Matrix Tool and Machine Inc., a 25-employee contract manufacturer in Mentor, Ohio. Matrix makes parts for lighting fixtures and had been trading with its largest customer, GE Lighting, over a dial-up private network for seven years.

A year ago, GE Lighting invited the com-



PHOTO: MICHAEL SCHWABE

Market research is conducted on the Internet by Emerging Technology Search's president, Peter A. Lehrman, center, and employees Paul Lipman, left, and Horatious Harris.

a better way to locate qualified software engineers and programmers to work for client companies in the Southeast. At the time, ETS found potential job candidates through cold calls and ads in newspapers. The Internet seemed like an ideal place to find people, Lehrman says. "Our prospects use the Internet. That's why we need to be out there for them."

Lehrman started with a basic Web site ([www.harbing.net/ETS](http://www.harbing.net/ETS)) that posted available jobs and instructed interested people to call ETS or send a resume. But rather than wait for candidates to come to him, Lehrman set out on the on-line equivalent of going "door to door" to find leads to potential candidates and new clients and to locate other Web sites that could channel prospects to ETS.

His search led him to the Web pages of university placement offices, area companies, software-industry associations, and computer groups. Lehrman says it didn't take long for his efforts to pay off. "We probably generated \$25,000 in business





pany to participate in a pilot program for an Internet trading system called the Trade Process Network (TPN), which is operated by GEIS.

GE Lighting puts jobs up for bid on TPN, a private site on the Web, and transacts orders with contractors such as Matrix. Matrix and other qualified vendors bid on jobs under a sealed-bid process, and GE Lighting awards the contracts after established deadlines.

Matrix Tool's operations manager, Richard Wilson, says the Internet-based service makes bidding and order fulfillment more efficient by automating the process and eliminating much of the paperwork.

"Everything happens in real time, and there's less sending things back and forth," says Wilson. "It makes it easier to deliver parts when they need them."

The Web system is also cost-efficient. Instead of subscribing to the private network, Matrix connects by modem through a local ISP for about \$25 a month.

The new system has brought more work into the shop, Wilson says, but because the Internet is more affordable and accessible than the private networks, he expects a greater number of small firms to compete for jobs.

Wilson believes Matrix has been able to get a jump on its competitors by becoming familiar with the Internet early on. The company has been using e-mail to communicate with many of its customers for nearly two years, largely to exchange drawings, purchase orders, and other messages.

"When we started I was actually surprised by how many of our larger customers didn't have access yet," Wilson says. "Now it seems like everybody has their own Internet address."

Business-to-business electronic commerce is expected to be the fastest-growing area for Internet sales. Forrester Research projects that in 2000, such commerce will generate \$66 billion. One reason is that businesses buy more from one another than consumers buy from businesses. Forrester's Meringer says small businesses have much to gain from Internet-based EDI. "The Internet is cheaper, easier, and faster to connect businesses than using proprietary EDI," she says. "You can talk to more people."

#### Start With The Basics

For Matrix Tool, using the Internet was a matter of serving its customers' interests. But other companies will have their own reasons for using it. Boston College's Cronin suggests those reasons are a good place for companies to start when preparing their Internet plans.

"Find out how to do things better and

## Do's And Don'ts On The Net

In its 27 years, the Internet has developed a unique culture—one that values personal privacy and, until recently, was decidedly noncommercial. The Internet has opened up to commercial activity in the past three or four years, but users still expect businesses to conduct themselves with decorum. Your chances of incurring the wrath of these users will be minimized if you follow these basic do's and don'ts.

■ **Don't send mass electronic mailings** about your company's products and services to individuals or Internet newsgroups. Businesses that send such unsolicited electronic mail do so at their own risk. Internet users often respond immediately with angry messages called flames. The volume of incoming flames has been known to overload the server of the offending company's Internet service provider (ISP), resulting in cancellation of the offender's account.

■ **Do send e-mail about your company** to people who have expressed interest in receiving it from you. Post commercial messages only in newsgroups that explicitly allow advertisements.

■ **Don't post questions and comments** in discussion areas such as newsgroups, chat rooms, or mailing lists if your postings are not related to the group's subject matter.

■ **Do observe or "lurk" in a discussion area** to get an idea about its subject matter before posting messages. Read the group's frequently asked questions (FAQ) to find out what type of material is appropriate.

■ **Do give advice and make comments** in discussion areas where you and your company can offer expertise.

■ **Don't type entire messages or words** in capital letters. This is the on-line equivalent of shouting.

■ **Do keep e-mail messages and newsgroup postings short and relevant.** Longer messages take more time to download.

■ **Don't overload your Web site—especially the topmost page—with an excessive amount of graphics.** Graphics are eye-catching, but they can take a long time to appear on the user's computer screen, particularly at 28.8 kilobits per second or slower.

cheaper," she says. "If [companies] make the Internet into a significant tool for running their business, then they've built a foundation for revenue. But if they do it the other way, that's where you see disappointment."

As Cronin says, it's easy for companies to get carried away pursuing various ideas for using the Internet and thereby lose their focus. She says it's important for companies to determine their objectives for using the Internet and to draw up policies that support those objectives.

Such goals should include setting policies on how employees can use e-mail and the Web. Many company executives believe that Web use by employees can reduce productivity, according to a survey by Robert Half International Inc., a personnel firm in Menlo Park, Calif. Cronin says companies should be careful to strike a balance between encouraging use and setting limits. (For more on this subject, see "Don't Get Caught In The Net's Web," Page 22.)

One common mistake business owners make is setting unrealistic expectations about what the Internet can do for the company. Although many small companies have been successful marketing products on the Internet, most have struggled to turn their Web site into sales, says Internet consultant Dern.

He says many companies venture onto the Internet without really knowing what it can do for their particular business, then they just wait for the benefits to happen. It's better, Dern says, for a company to set expectations for how much time and money the Internet will save the company, both internally and externally. "You have to look at the Internet as being at least as valuable as what you were doing before," he says.

**H**aving a plan has certainly helped A&A Printers. Hu, the president, says the company spent more than a year designing and testing its site. Along the way, A&A consulted its longtime customers, and it has continued to involve them as the site has evolved. The result is paying off in efficiency and improved service.

"By any rational sort of business model, we shouldn't be involved in this," Hu says. "But being small gives us the dexterity... to do things very quickly."

Companies such as A&A have gotten a big head start on their competitors in putting the Internet to work for their businesses. But the growing number of firms using the Internet means they won't be alone for long. That's why it's vital for small companies that haven't done so already to start making plans for the Internet now. They simply can't afford to be left behind.



To order a reprint of this story, see Page 47.



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## COVER STORY

# Choosing The Right Path To The Net

By David Noack

**B**arry W. Gainer wanted to expand the sales of his family's business—a company that grows, packs, and ships fruit—but he didn't want to incur the expense of advertising in national newspapers and magazines.

So Gainer, president of the Indian River Gift Fruit Co. in Titusville, Fla., decided to establish a business presence on the graphical, interactive part of the Internet known as the World Wide Web.

At the company's Web site ([www.giftfruit.com](http://www.giftfruit.com)), visitors can view pictures of the firm's products and place orders. Fax and phone numbers are provided for customers who do not wish to order via computer.

"What interested us in the Internet was that we could expose our business to millions and millions of customers at relatively low cost," says Gainer, 33, who was a computer novice when he decided to put his business on the Web.

Before the Indian River Gift Fruit site debuted in April 1995, Gainer did some homework. He read business and computer magazines to learn how to get a company onto the Web economically, and he sought advice from experts. He wanted to know what had been done before and, more important, what had been done right.

To get his Web site on line, Gainer contacted Catalog.Com, a service in Palo Alto, Calif. Catalog.Com sells companies and individuals space on its server computer—a service referred to as "hosting." In addition to providing Internet users with access to its customers' Web sites, Catalog.Com maintains the sites and provides security for them.

Gainer, who pays \$50 a month for Catalog.Com's services (start-up costs were about \$2,000), also retained a couple of Web consultants to design and create the actual Web pages and to post new prices, items, and information on a



PHOTO: GIBBY WILKINSON

After he put his Indian River Gift Fruit Co. on the Internet in 1995, says Barry W. Gainer, on-line customers quickly accounted for a large part of the company's sales.



continuing basis.

The fruits of Gainer's investments: Web-site customers accounted for about 25 percent of his company's \$1 million in revenues in 1995.

## Goals And Expertise

Small businesses like Gainer's are flocking to the Internet to expand their customer bases, to create greater consumer awareness about their products and services, or simply to communicate better with current and potential customers.

But what do business owners who have yet to establish an on-line presence need to know about the Internet and about creating and maintaining a home page or a Web site? The answers, say experts and business people, depend on two factors: what the entrepreneur wants to accomplish on line, and the person's level of computer and telecommunications expertise.

It's easy for a newcomer to the Internet to

*Small-business owners who want to establish a presence on the World Wide Web face a host of decisions on how best to do it. Here's some guidance.*

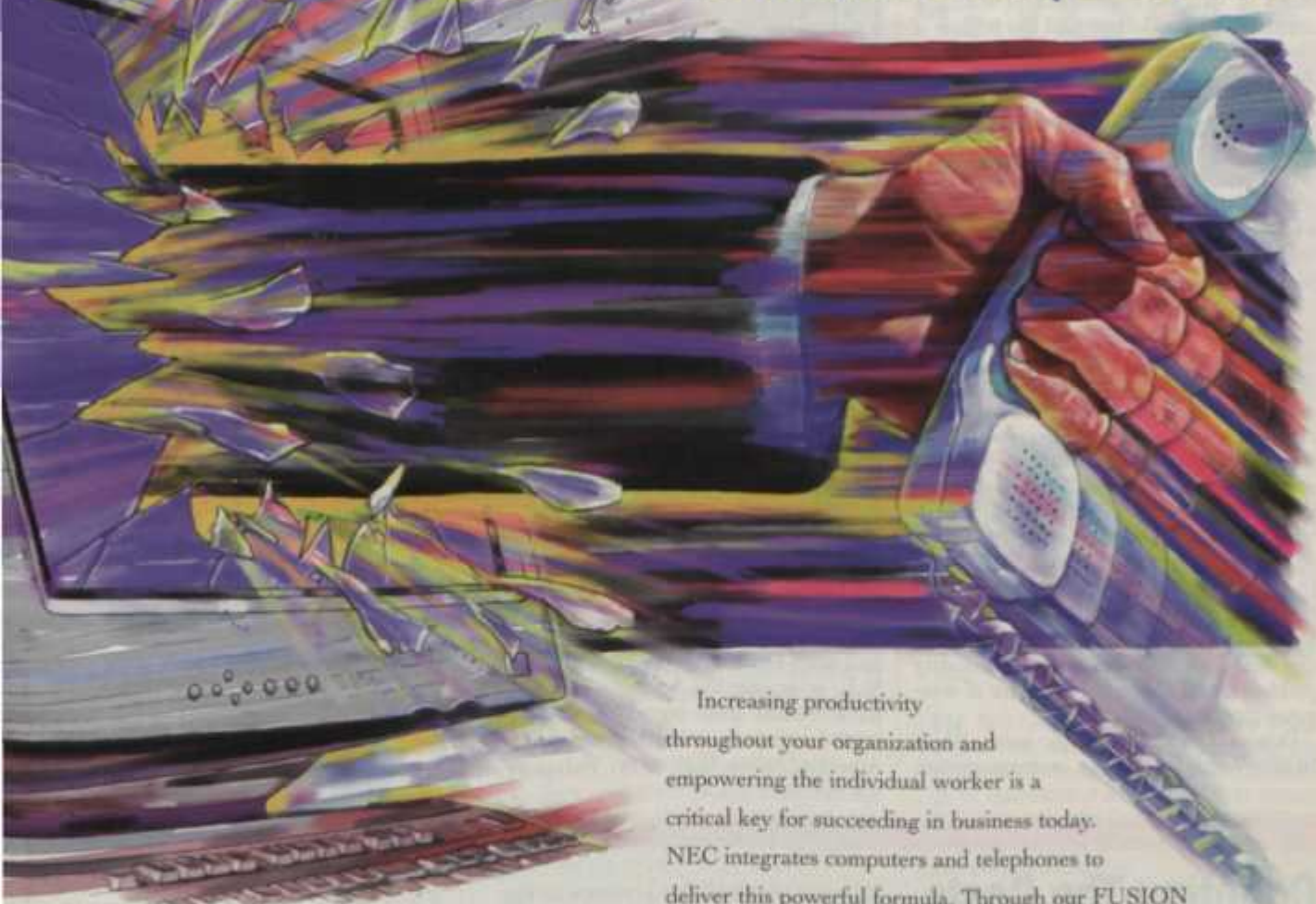
be intimidated and overwhelmed by terms such as URL, server, bandwidth, and browser. Nonetheless, the Internet and the World Wide Web have become much more user-friendly in recent years. With the advent of design and development tools for building Web sites, even nonexperts now can create rudimentary sites.

These tools have reduced the amount of specialized computer coding, known as hypertext markup language (HTML), that goes into building a Web site, although it still takes time and effort to learn how to use the tools well. Among the many popular programs available on the market to help the "cyber-challenged" create Web pages are Microsoft Corp.'s FrontPage, Claris Corp.'s Claris HomePage, and Adobe Inc.'s PageMill.

Building more-complex home pages, such as those with forms and with feedback and order-taking capabilities, requires relatively advanced programming and maintenance skills. Many experts say that unless you're willing to take what amounts to a crash course in computer programming



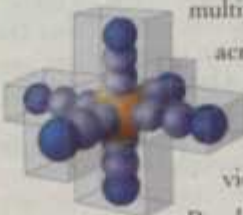
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## COVER STORY

and networking, you should leave these tasks to others, at least initially.

Small-business owners who want a Web site should outsource both the design work and the hosting services at the outset, says Mary J. Cronin, a professor of management at Boston College and the author of *Doing More Business on the Internet: How the Electronic Highway Is Transforming American Companies* (Van Nostrand Reinhold, \$29.95).

"It is both time-consuming and expensive," Cronin says, "to get up to speed on connectivity, hardware, software, design, access, and security issues all at once if there has not been much prior network experience."

Says David H. Dennis, owner of David's Amazing Internet Creations, a Web-design firm in Chatsworth, Calif.: "If you want to present brief information on your company and products on the Web, it can take very little technical savvy. If you don't need something glitzy and complex, you can even do a lot of it yourself." But he cautions that a small-business owner shouldn't attempt to run his or her own Web-server computer. "Running your own Web server is almost always a bad idea unless you have a significant store of expertise at your firm," he says, citing equipment purchase and maintenance costs, potential security problems, and the usual measure of computer glitches and snafus.

Denise Continisio, who owns Write NOW! Word Processing, a transcription



PHOTO: DAVID BARTHOLOMEW

**Realizing that their hot-sauce business was a good candidate for cyberspace got Perry Lopez and Monica Bosserman Lopez fired up about starting a Web site, but they have left the site's technical aspects up to others.**

and word-processing business in Trenton, N.J., is among the business people who have created their own Web pages. She posted her page using her account with America Online. "I store my Web page on

AOL," she says. "I have the account—why not make use of the available [server disk] space?" Continisio notes that there's no extra charge for putting her Web page on AOL beyond the standard fee of \$19.95 a

## Counting The Costs

Establishing a business presence on the World Wide Web requires making lots of choices. Your universe of on-line options—including whether to maintain an Internet server in-house or to contract for this service—is nearly as vast as outer space. Consequently, it's almost impossible to provide a general answer to the first question most business owners ask when evaluating whether to build a Web site: How much will it cost?

"As with most things—from automobiles to computers—how much it costs to put your business on the Web will vary significantly according to what you're trying to accomplish," says Martin Burack, executive director of the privately funded Internet Society, an international organization based in Reston, Va., that is dedicated to global cooperation and coordination for the Internet.

Here are estimates, based on discussions with experts, for some of the myr-

riad ways to establish a presence on the Web:

### Commercial Services

The commercial on-line services—America Online, CompuServe, the Microsoft Network, and Prodigy, for example—provide members with 5 to 15 megabytes of server disk space and tools that are relatively easy to use for developing and posting Web pages. These are included in the basic, unlimited-use charge of \$19.95 a month for America Online, the Microsoft Network, and Prodigy. CompuServe charges \$24.95 for up to 20 hours a month of on-line time.

### Service Providers

Once designed, Web pages can be placed on and accessed from the server computer of an Internet service provider for about \$100 a month. For that amount, you should be able to get unlimited dial-up access to the Internet for yourself, 30 to 100 megabytes of storage space for your pages (which is enough for the kind

of information a business owner new to the Internet might want to post), a registered domain name (*mybiz.com*, for example), and the ability to post on line and download into your computer database basic Web forms such as mailing lists and surveys.

### Professional Artists

The cost of having basic Web pages designed by a professional graphic artist can range from \$50 to \$100 or more per computer page, depending on the still pictures, illustrations, audio, and video in the page.

### Keeping It In-House

If you're contemplating going it alone, consider this: You can easily spend \$10,000 a month or more on expenses such as the salaries of the two or more part-time or full-time employees you'll need to design and maintain a site; the cost of a dedicated, high-speed connection to the Internet; and installment-purchase payments for required hardware.





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**816 TargetSmart!** is the first book to describe how database marketing can be used by small businesses. Using visual aids and a two-year case study, the book shows how to strengthen customer relationships and increase sales.

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## COVER STORY

month for unlimited use. She also uses AOL to get information and to network with other on-line users. Her Web page ([users.aol.com/writtenwup/main.html](http://users.aol.com/writtenwup/main.html)) has been on line for a year.

After Perry Lopez and Monica Bosserman Lopez opened their Hot Hot Hot specialty-sauce retailing business in 1993, Perry Lopez saw a version of one of the earliest Web browsers, called Mosaic. He sensed that the couple's business was a prime candidate for cyberspace, so in September 1994 the couple unveiled their Web site. "We were very interested in doing it, but we aren't computer people. So...we didn't have the know-how," says Bosserman Lopez. But Tom Soulanille, a frequent customer at the couple's Pasadena, Calif., sauce and salsa shop, was starting a Web-design and virtual-catalog business called Presence Information Design. Hot Hot Hot was quick to sign on as one of his customers.

Now the hot-sauce company's Web site ([www.hothothot.com](http://www.hothothot.com)) attracts 1,000 to 1,500 visitors daily and generates about 30 percent of the company's total business volume. As for a company maintaining its own Web server, Bosserman Lopez is one entrepreneur who agrees it's a bad idea. "For us as a small business, it doesn't make [economic] sense," she says.

A middle-of-the-road path to establishing a Web page was chosen by Jeffrey F. Krieger, owner of Jeffrey F. Krieger Architects in Philadelphia. He has a \$35-a-month account with a local Internet service provider (ISP), VoiceNet, and he uses his computer and modem to access VoiceNet and post his company's Web page.

Krieger notes that although he helped develop the look of the Web site, a friend and former business associate did the HTML coding to create the page. "I didn't think I had the time to learn HTML or other Web authoring tools," says Krieger, whose Web site ([www.voicenet.com/jfla](http://www.voicenet.com/jfla)) debuted in October and provides information about himself, his work, and the firm.

Carl Levinson, CEO and president of America's Shirt & Tie and Genius T-Shirts, two related companies in Indianapolis, studied his options and decided the best route would be a Web hosting service.

Levinson, who works out of a downtown warehouse, says he considers his companies to be more a software business than an apparel business. His main Web site, America's Shirt Catalog ([cottonshirt.com](http://cottonshirt.com)), is the first where people can buy dress

shirts of their own design, he says. The site includes a "tailor shop" with various sizes, fabrics, and styles that shoppers choose simply by clicking on them with a mouse.

In addition, Levinson has other on-line pages for ties, boxer shorts, and T-shirts.

Levinson says his Web pages, which debuted in the past two years, were designed in-house by one of his two employees, a software engineer. (His other employee is a shipper; the companies outsource manufacturing of their apparel.)



**Selling custom shirts over the World Wide Web means savings for customers, says Carl Levinson of America's Shirt & Tie.**

He notes that the relatively low cost to him of selling on the Web means savings for customers: The markup at major retailers is usually \$14 to \$20 per shirt, he says, but it's only \$3 to \$4 for his shirts.

Jim Krachenfels, marketing-programs manager at Garrett Communications, Inc., a Fremont, Calif., designer and manufacturer of networking products, says Garrett uses its Web site to keep the firm's customers informed of new products. There is no ordering on line, although customers can ask for specific product information.

"We have made all our data sheets and installation guides and application notes available so [customers] can either down-

load [them] or print the information off of the Web," Krachenfels says.

When the Web site ([www.garrettcom.com](http://www.garrettcom.com)) debuted in mid-1995, the company had its own on-site Web server. But keeping the server running became too much work, and last year the company outsourced the task to a Web hosting firm, Internix in Santa Clara, Calif. The Web-site design and maintenance are still handled in-house to allow Garrett strict control over the site's content.

The questions that every small-business owner must ask before taking the Internet plunge, either alone or with the help of a consultant, a service provider, or someone else, include:

■ What do I want to do with my Web site? Will it be merely a channel for wide distribution of brochure-type information about the company? Or will it also be able to take orders on line?

■ Should my company create and maintain its site in-house? How much will it cost for equipment, personnel, and access if I choose this option?

■ If I decide to design and maintain the site in-house, should I hire full-time or part-time employees to perform these tasks?

■ Should I design my own Web site and post it with an Internet service provider?

■ Should I create a basic Web page and post it on the server space that's provided by the commercial on-line services, such as America Online, CompuServe, the Microsoft Network, or Prodigy?

Keep in mind that there are pros and cons to doing all the Web work yourself and to contracting it out, according to Brian Hurley and Peter Birkwood. They are experts in telecommunications and Internet marketing in Nepean, Ontario, and the co-authors of *A Small Business Guide to Doing Big Business on the Internet* (Self-Counsel Press, \$14.95).

"The primary advantage of doing your own Web-site work is that you have control over the content and look and feel of the end product," says Hurley.

But if you don't consider the Internet a strategic part of your business, the authors say, don't spend a lot of time and money developing Web expertise. "Training people in this area can be time-consuming," says Birkwood, "especially if your staff doesn't have much computer experience."

David Noack is a free-lance writer in Beacon, N.Y., who specializes in the Internet and computer technology.



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# ENTREPRENEUR'S NOTEBOOK

By Ann Giard-Chase

## Untangling The Web For Retail Sales

**S**erving up gourmet brownies and Brownie-Grams on the Internet was a sweet addition to my business, right up to the day when the company that was providing my access to the Internet went sour.

In January 1995, Joan & Annie's Brownies, the company I co-founded in 1988 with my sister, Joan Giard, went on line with a local Internet service provider (ISP) that was marketing a group of Vermont-based firms through a "virtual mall" on the World Wide Web called CyberMont.

For a business started in our kitchens and marketed from pushcarts at fairs and festivals, this seemed the perfect way to expand my potential customer base without the costs associated with print, broadcast, and direct-mail advertising. It also allowed me personal contact with my customers, something both Joan and I had always enjoyed. (Joan left the company to pursue other interests in early 1991.)

For \$500, the ISP designed and maintained my site and supplied Internet access for six months.

My company could now be found by querying various Internet search sites and directories—which allow Web users to search for specific content by key words or phrases—and orders and inquiries began rolling in by electronic mail. Thanks largely to the media attention the site generated, the company's eight varieties of brownies and its Brownie-Grams (a trademarked name for personalized brownie gift packages) were building an international reputation virtually overnight.

And then, just shy of the six-month mark, the ISP went out of business, taking with it my Web site and e-mail capa-



The Internet can be part of a recipe for success, says brownie entrepreneur Ann Giard-Chase.

bilities. My company's Web address still appeared on search sites and directories, but there no longer was a Web site to access, and I had no means of communicating with my on-line clientele.

After three months of careful searching, I found a new provider, and my company was back on the Internet at the address [mmink.com/brownies.html](http://mmink.com/brownies.html).

Customers and media inquiries returned. In fact, sales doubled in 1996, to approximately \$100,000.

Having my Internet sales-and-marketing capabilities vanish for several months taught me something about dealing with ISPs. Here's what I recommend:

**Ask questions; choose carefully.** Ask providers how long they have been in business, how many clients they serve, and—if you will be part of a virtual mall—how quickly sales orders will be forwarded to you once they are received. Ask for a list of the company's clients,

and check references. Be sure to ask how well and how quickly the provider makes desired changes to Web pages.

**Security counts.** Make certain your provider encrypts data so that customers' personal information such as addresses and credit-card numbers can't be read by cyberthieves. Clearly advertise on your Web page that e-mail orders are secure.

**Bigger isn't necessarily better.** Advertising special sales or new products, or even creating additional Web pages, can boost sales, but access through an ISP means you need its help in changing your on-line information. Smaller providers often can serve you better, faster, and cheaper than larger ISPs, which may have many clients awaiting updates.

**Marketing is up to you.** Providers offer access; rarely do they promote clients, so marketing your Web address—both through traditional media outlets and on the Net—is usually up to you. Place your Web address and logo with as many search-site operators as possible.

Take the time, too, to figure out what key words or phrases will put your site at or near the top of ranked listings given by search sites when Internet users seek specific, pertinent information, as people are less likely to visit sites farther down their "hit lists."

Also, try to have other sites with a similar market draw—those of gourmet food companies, in our case—include a link to your site, and return the favor.

As with other marketing avenues, an Internet presence is a tool for success, not a means to effortless sales. Building a catalog request and an e-mail form into your page allows you to develop both e-mail and traditional postal mailing lists and to interact directly with your customers. Also, as your sales volume increases, continue to give customers the level of service they expect. Word of mouth, even if it's electronic, is still the quickest and surest way to win—or lose—customers.

Ann Giard-Chase owns Joan & Annie's Brownies, in Williston, VT. She prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on starting or running a business are invited to contribute to this column. Write to: Entrepreneur's Notebook, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.



## MANAGING

# Don't Get Caught In The Net's Web

By Michael Barrier

Let's say that the Internet is a big city and you're a small business, fresh from the country and new to town. You're gawking at all those gleaming skyscrapers (or World Wide Web sites, in this case). You know enough to be wary of pickpockets and sharpies. The greatest dangers, though, may be more mundane—like stepping into an open manhole.

Doing business over the Internet is sort of like that. You can easily tumble into trouble not because the Net is so exotic but because you don't realize how ordinary it is in some ways.

For all its novelty, "the Internet is not special" in terms of the legal issues it raises, says David Lange, executive director of the Center for Global Information Technologies at Duke University Law School in Durham, N.C. "The main legal principles remain the same. Their particular application changes."

Says Thomas J. Smedinghoff, a partner in the Chicago law firm of McBride Baker & Coles and counsel to the Software Publishers Association (SPA): "People who do business on the Internet need to realize that all the laws that apply to their activities in the physical or paper-based world are going to continue to apply when they get on the Internet."

Joseph M. Killeen, who specializes in intellectual-property law at the Alexandria, Va., law firm of Rogers & Killeen, agrees. "The Internet introduces very few new problems," he says, "but it brings to the forefront all sorts of old problems, sometimes in ways that people are not used to."

Here's a rundown on some of the areas where the problems are surfacing.

## Intellectual Property

### Copyrights

A typical home page on the Web is an introduction to a company's products or services. As far as the content of your home page is concerned, "the issues involved are just the same as if you were putting out a videotape or a newspaper advertisement," says Seth D. Linfield, an intellectual-property attorney in the South Bend, Ind., office of the Barnes & Thornburg law firm.

For example, suppose that (1) your home page is accompanied by music, (2) the music is copyrighted, and (3) your use has

not been authorized; in such a case, your use is an infringement. The same applies to materials such as film clips, photographs, and, of course, published written matter. To use them, you'll need copyright clearance, which can be difficult to get.

Beyond that, "if you have the kind of home page where you have more than a description of your product," Killeen says, "you've got to be sure that you have the right to let people download it." In other words, even if you have permission to use copyrighted material in your home page, you could run into trouble if other people make copies of what you've put there—and the odds are that they will.

Smedinghoff, author of *Online Law: The SPA's Legal Guide to Doing Business on the Internet* (Addison-Wesley, \$34.95), says, "Because it's

so easy to make a perfect duplicate of anything in digital form, anything you put on the Internet is very susceptible to copying and modification and massive distribution in ways that you may not want to have happen." A lot of people share the misunderstanding, he says, that "if it's on the Internet, it must be OK to take it. That is clearly not the case."

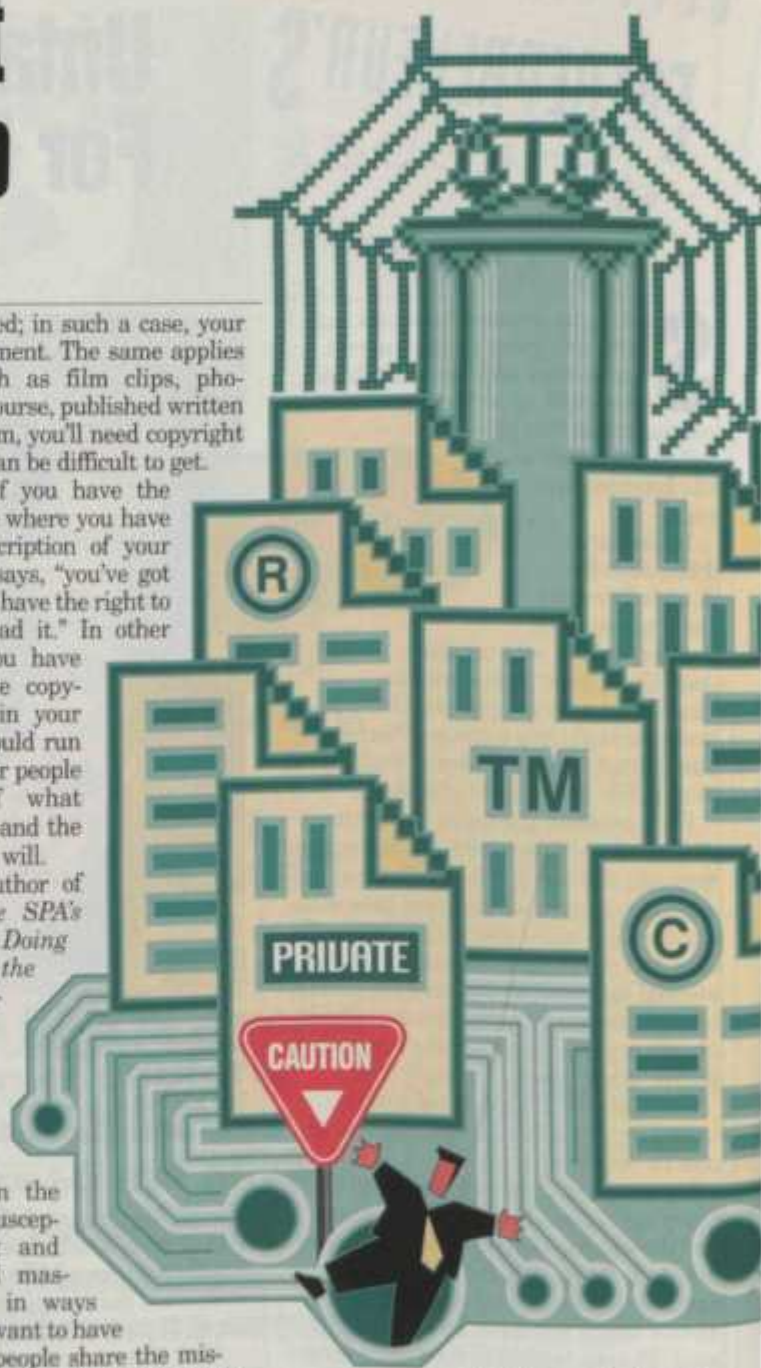
Even if you scrupulously avoid using copyrighted material, you could still get into copyright trouble, Killeen says. If you provide links to other Web pages and one of those pages is infringing on copyrights, you could face a lawsuit for contributing to that infringement. Businesses providing such links should include a disclaimer stating that they are not responsible for the linked home pages' content.

If you're hiring an outside consultant to design your Web page, says William A. Tanenbaum, an intellectual-property attorney with the New York City office of the Rogers & Wells law firm, your contract

should specify that the consultant won't use others' copyrighted material without a license. "To make that meaningful," he says, "you need to have an indemnity" so that the home-page developer will have to reimburse you for any damages you incur in a lawsuit.

(An alternative, especially if the consultant is too small to provide a meaningful indemnity, is a "repair and replace" provision, which obligates the consultant to fix immediately any infringing elements.)

Other kinds of copyright problems can arise when you farm out the design of your home page. "The business that's buying [the home page] should make sure that it gets the copyright," Killeen says, "so there's no problem with dealing with it in any way





## Legal hazards—involving copyrights, trademarks, privacy, and sexual harassment—can imperil companies doing business on the Internet.



you want in the future."

You can obtain a copyright in many instances by executing what is called a "work-made-for-hire" agreement, which establishes that the copyright belongs to the purchaser from the start. However, the copyright law authorizes work-made-for-hire agreements covering only nine kinds of copyrightable material. Software is excluded, for example, so even if you were to execute a work-made-for-hire agreement covering a software program, the copyright would remain with the software's author.

Even an assignment of the copyright from the developer to your business can't solve all problems, unfortunately. Some home-

says, but the history in conceptually similar areas—multimedia products, for example—suggests that lots of it is on the way.

The safest course, Tanenbaum says, is to record the assignment of copyright immediately with the U.S. Copyright Office. "Prompt recordation of assignments or even licenses gives you certain statutory rights," he says—mainly, it will create "strong presumptions" that will work in your favor in the event of a suit.

### Trademarks

A "domain name" is an Internet address, the kind that typically begins "http://www." and, in the case of business addresses, ends with ".com." You obtain a domain name from Network Solutions, Inc., a Herndon, Va., company that administers the names in the United States under a contract with the National Science Foundation.

So far, Killeen says, the courts have been holding that "domain names really fall very squarely under the law of trademarks." That means you can't call yourself something like "generalmotors.com" just because you think such a well-known name will bring a lot of traffic to your Web page. "If you're reserving a name that is associated in some strong fashion with somebody else," Killeen says, "the courts are not going to let you use it in a way that would cause confusion among customers."

That doesn't mean, though, that you have an inalienable right to use your own business's name. The domain name that instantly evokes your business or its products may not be available. The Internet is international in scope, and a trade name that has no duplicates in your local market may have a lot of them in cyberspace. As Killeen says, "The domain name you want to use may be already taken."

You may be able to get it back by bringing a trademark action; on the other hand, even if you get your name on the Internet first, you may have a trademark action brought against you. "This is probably the hottest area right now in the Internet, legally," Killeen says.

As Barnes & Thornburg's Linfield points out, two different companies can use the same name as a trademark for completely different products—for a car and for cat food, for example—but only one company

can have that trademarked name as a domain name. "The courts generally will allow the holder of the more significant trademark to ultimately claim the name," he says.

### Privacy

As for electronic mail moving across the Internet, "employers are remarkably free to monitor messages to and from their employees," Smedinghoff says. Despite the Electronic Communications Privacy Act's general ban on intercepting electronic mail, he says, "there's an exception for the entity that owns the system, and in this case that's the employer."

"The problem arises," he continues, "because a lot of times the employer by the way it acts creates an expectation of privacy in the employees"—and thus exposes itself to the risk of a lawsuit for invasion of privacy.

Heather Gatley, an attorney with the Miami law firm Steel Hector & Davis LLP, says that employers can set rules governing which e-mail communications will be truly private and which will be accessible by the employer, but that "most employers are just not known for reasoning out a thoughtful balance between employee privacy rights and employer needs."

The reason for their discomfort, Linfield suggests, is that "employers don't want to tell their employees, 'We don't trust you.' There is a line that an employer doesn't want to cross; otherwise, morale may sink." Because that line is so difficult to draw, though, employers may want to tell their employees flatly that "there is no such thing as privacy" when it comes to e-mail and other Internet communications, says Robert B. Kirkpatrick, a Washington, D.C., attorney who specializes in employment law.

"The safe harbor for employers," he says, "is to have a clearly defined policy that has been disseminated to employees and is in fact [posted] on the system, and you cannot log on until you click that you have read the policy."

### Taxation

When you do business over the Internet, you have to think about which jurisdictions can tax your transactions. The "de-



page developers have devised "great visual effects," as Killeen says, that they may use in one page after another—so that a home page explodes on command, for instance. Who actually owns those effects? There's no simple answer.

Tanenbaum suggests that the contract "carve out" the home-page developer's rights in the "generic" aspects of the home page. Such a provision should result in a lower price, since the developer can reuse that technology.

But what if the developer has already sold those "generic" characteristics to someone else as part of another home page? In that case, "he's basically selling you a lawsuit," Tanenbaum says. The legal activity in this area has only just begun, he



## MANAGING

livery rule" generally applies where sales taxes are concerned: The tax applies where the goods are delivered.

"You ought to view doing business over the Internet very similarly to doing business as a mail-order seller," says Jeffrey A. Friedman, associate director for sales and transactions tax practice with the accounting firm KPMG Peat

Marwick LLP in Washington. "Treat the Internet as you would the U.S. mail, as a common carrier," he says. "You really don't have any more of a presence in a state because you accept an

order by the Internet than you do if you accept it by mail."

The real question is whether the states will sit still for the drain on their tax revenues that may occur as more sales take place over the Internet and thus across state lines.

"The states are going to have a reaction to it," Friedman says of the growth of elec-

tronic commerce. "We just don't know what it's going to be."

Ordinarily, a company has to have a physical presence in a state for there to be what is called a nexus—that is, a connection with the state sufficient to subject that company to the state's laws.

That standard may now be eroding. Friedman cites a recent decision by South Carolina's highest court that he says subjected a firm to the state's income tax on the basis of an intangible economic presence. "Some other states have jumped on that same bandwagon," he says.

"It really boils down to jurisdiction," Smedinghoff says. "When does the state of California have jurisdiction over me, sitting here in Illinois, for purposes of requiring me to pay a tax or submit to a lawsuit or whatever it may be? I think that's one of the really big unanswered questions."

## Sexual Harassment

Miami attorney Gatley says there is "a great potential" for employer liability for sexual harassment "via things people are pulling down" from the Internet.

Such liability would arise in this way:

Title VII of the Civil Rights Act of 1964 prohibits discrimination on the basis of sex, and the courts have held that such discrimination can exist through the creation of a "hostile work environment."

If an employee has Internet access and is using that access to visit sexually explicit Web sites—perhaps capturing some pornographic image and using it as a screen saver—that could be found to be creating such an environment.

"We caution employers to prohibit their employees from bringing in this material," Gatley says. Such a policy should be in writing.

Bruce J. Ennis, an attorney with the Jenner & Block law firm in Washington, suggests installing one of a number of computer programs that can block employee access to Web sites that are too sexually explicit or too violent; the addresses of the offending sites can be made part of a database, along with key words like, say, "hot and steamy sex."

"Probably the simplest thing for employers to do," Ennis says, "is to say that employees shall not use office computers to access the Internet at any time during office hours for any purpose other than a purpose directly related to work."

Some employees may try to evade such a company policy, but there will be tip-offs to what they're doing. "Companies need to be concerned with the movement of large files that aren't business-related over their systems," says J. Jerome Bullock, a managing director in the Washington office of Decision Strategies International, an investigative consulting firm.

"Certainly that's going to be their first clue that something's not right," he says. "If you're moving pornographic images, those are fairly large files, typically, and they also come in a certain file format"—and a system administrator can tell who is moving files of that kind, without examining their content.

The danger from turning a blind eye to such activity could extend even to criminal liability, Bullock suggests. If someone inside the company is handling material that actually violates the law—child pornography, for example—"some prosecutor might want to make an example of a company that permitted this kind of thing," he says.

The shape of many such questions is becoming clear, as courts and lawyers go about the work of fitting established legal principles to the new circumstances created by the Internet.

Even when it seems reasonably clear what course the law will take in the future, wise managers will keep an eye on legal developments—and will keep their lawyer's telephone number on auto-dial.



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## TRAVEL

# Getting Mileage From The Internet



By Lynn Woods

**O**n days when Diane Ballone is too busy at work to call a travel agent to book tickets for business travel, she connects after hours to the Internet and places her order on line.

Ballone, president of NOVA Group Inc., an Atlanta management consulting firm with five employees, travels once a week, usually to Philadelphia. Using the Internet to make reservations is quick and convenient, she says, and she likes being able to choose flights on her own. "When a travel agent tells me the 5 o'clock flight isn't available, I wonder," says Ballone, who uses an Internet-based service offered by American Express.

Often, she says, she finds unexpected ways to save. Several times, for example, she has booked Delta Air Lines to Philadelphia and United Airlines back to Atlanta because the two one-way tickets added up to less than the round-trip fare on either airline.

Ballone's experience with booking reservations over the Internet makes her somewhat of a pioneer. Most businesses still don't use the Internet for travel planning. Runzheimer International, a travel-management research firm in Rochester, Wis., found that only 6 percent of the travel managers it surveyed last summer were using on-line travel services. Nonetheless, 54 percent of the travel managers said they expected to be using their computers to research and book employee travel within the next five years.



Air-fare bargains available on the Internet help cut travel costs for Atlanta-based management consultant—and frequent flier—Diane Ballone.

Moreover, most travelers who do use the Internet to assess their travel options still call a travel agent to buy an airline ticket or reserve a hotel room. Only 15 percent actually book their reservations on line, according to a recent survey by the BBDO advertising agency in New York City.

## A Host Of Options

The Internet offers a vast array of travel information and booking services. The

user can make airline, cruise-ship, train, hotel, and rental-car reservations as well as tap a host of other resources: restaurant guides and street maps, for example, monetary exchange rates, updates on frequent-flier programs, subway information, even the location of specific types of retail stores nearest to your destination hotel.

Using the Internet and on-line services to make travel plans is more efficient than calling a travel agency, says Barbara Burger, information-services manager at We Love Country, a manufacturer of custom-designed woven blankets based in Bridgeport, Pa., near Philadelphia.

On any given day, five to 10 of the firm's 44 employees are traveling for the firm, attending trade shows or association meetings. Burger uses on-line services to research and book travel arrangements for them.

She says it had been difficult to find one travel agency able to meet the widely varying requirements of the firm's regular travelers, some of whom are based away from the main office. So for the past 10 months, she and Mary Jo Heckman, the company's other travel arranger, have relied exclusively on do-it-yourself airline-reservation services.

Burger and Heckman use the services offered by Preview Travel, United Connection (which can be downloaded from United Airlines' Web site), and OAG, a subscription service available on disk or through CompuServe.

Ballone recently tried out Travelers Access, a discount-travel club available through easySABRE, the grandfather of on-line reservation systems, which is on CompuServe and Prodigy. Membership in

Lynn Woods is a free-lance writer in Kingston, N.Y.



## TRAVEL

the club entitles her to a 5 percent cash rebate on all bookings.

Most of the flight-reservation and other travel services are easy to use. They typically require that you register for free and fill out a personal profile, including preferred airlines, seat and meal preferences, and memberships in frequent-flier programs. Once entered, your personal preferences are saved for subsequent bookings.

To arrange a trip, you type in data such as your flight dates, time of day for traveling, and departure and destination cities.

Travelocity, which is owned by the SABRE Group Inc., the computer network that also owns the easySABRE reservation system, requires information for each flight segment rather than for the round trip, which can increase the time it takes to complete a reservation request.

Microsoft Corp.'s Expedia Travel Services, which debuted in October, allows you to tailor your search to find direct flights or flights that have no penalties for changes. Expedia and some of the other services also enable you to view the on-time records for each flight, the type of aircraft, fare restrictions, and whether a meal is served.

#### Sudden Savings

In addition to convenience, the Web offers a multitude of last-minute discounts that are posted on many airline-, hotel-, and other travel-reservation sites. Small-business owners who are flexible in their travel plans or are seeking a quick getaway at rock-bottom prices can save by taking advantage of these deals.

Some of these postings are Internet exclusives or special promotions. Several airlines and hotel chains, for example, offer bonus frequent-flier miles or frequent-stay points when you book through their Web sites.

Updates on air-fare wars, special car-rental and hotel promotions, cruise discounts, and new frequent-travel programs are listed at [www.biztravel.com](http://www.biztravel.com), a comprehensive site that pulls together a variety of services for frequent business travelers, such as currency-exchange rates and lists of chambers of commerce.

Travelalert, which is part of [www.biztravel.com](http://www.biztravel.com), posts up-to-the-minute memos on airport delays, frequent-flier-program bonuses, and other travel-related items of interest. At [www.citynet](http://www.citynet), there is a gold mine of information on domestic and foreign cities, such as concierge services, street maps, Yellow Pages, weather and

sports reports, and news. And [www.vicinity.com](http://www.vicinity.com) includes a business directory and mapping abilities, among other services.

#### Digging Out The Facts

While the Internet provides a wealth of travel information, don't throw away your travel agent's telephone number. Perhaps the biggest challenge in using the Internet is finding the information you need quickly.

Anita Potter, whose Pittsburgh-based company, JetNet Media, runs two Web sites for Prodigy, says she spent an hour and a half on the Internet researching hotels in preparation for a recent trip to Paris. Using Yahoo, one of the Web's most popular

then calling a travel agent for comparison. "If I want the lowest fare, I'll call a travel agent," she says.

Indeed, when a dozen reservation services on the Internet were accessed to find the cheapest nonstop round-trip fare between New York and Atlanta for a hypothetical, three-day midweek business trip, none of them could beat the \$727 fare cited by an American Automobile Association (AAA) travel agent. The cheapest round-trip coach fare listed on Travelocity was \$1,049 on Delta.

American Express and Preview Travel each offered a fare of \$781 on Delta or Continental out of Newark, N.J. Expedia bettered them with a \$754 fare on Delta,



PHOTO: GAIL DENROO JR.—BLACK STAR

**All airline reservations** for employees of We Love Country, a blanket manufacturer near Philadelphia, are made through do-it-yourself services on the Internet by the firm's Barbara Burger, information-services manager, left, and Mary Jo Heckman, marketing manager.

search tools, she first typed in "Paris," then further narrowed her search to the "14th District Latin Quarter." That located Escapades, a booking service operated by a small French travel company, through which she found and reserved her hotel.

Once you find what you're looking for, the information may be incomplete. For example, prices listed on many of the Web sites maintained by hotel chains and car-rental companies don't include promotional or corporate rates.

Similarly, Ballone says, while American Express' Internet reservations service is easy and quick, its schedule of flights sometimes omits the lowest fares. She discovered this by searching for on-line price quotes,

although it was still \$27 more than the amount cited by the AAA travel agent. (Expedia was the only service that listed Air South's bargain-basement fare of \$291, which required two intermediate stops each way.)

#### Rough Spots

Tracking down comparative flight and reservation information can make a process designed to take five minutes drag on considerably longer. On two occasions, it took an hour for Travelocity to list a single fare.

While Expedia was fast in one instance, several days later it took 20 minutes to produce confirmation of a reservation.

Furthermore, not all the Internet travel



**"For now, you have to be willing to use multiple [on-line travel] services because each tends to specialize in one thing or another."**

**—Barbara Burger,  
Information Services,  
We Love Country**

services produce the desired results. Consider a user's experience recently with Internet Travel Network's reservation service, which works with a selection of travel agencies to complete the booking. After requesting a flight, the user selected one of the three travel agents close by whose names were listed on the site. The on-screen instructions stated that the user would be called by the agency. The call came—a week later, from an agent who did not seem enthusiastic about booking the ticket. He said it would be better to work directly through a travel agent.

#### Scattered Resources

A difficulty in using the Internet for travel plans, says Burger, is that not everything can be found in one place. "For now, you have to be willing to use multiple services because each tends to specialize in one thing or another," she says.

For example, TravelWeb bills itself as

the Internet's largest on-line hotel-reservation system. There were 127 properties listed for Atlanta. But to check out bed-and-breakfast alternatives, you have to go to Bed & Breakfasts On-Line. Recently it had only one entry for downtown Atlanta.

A list of discounted hotel rooms in dozens of major cities can be accessed through *hoteldiscount.com*. But Atlanta had not yet been included as of late January.

**T**ravel services on the Internet can be incomplete and slow, and they are not likely to supplant the convenience and comprehensiveness of travel agents and toll-free telephone reservation systems in the near future.

Nonetheless, the best of these Internet services can make business-travel planning and booking a snap, as increasing numbers of companies are discovering.



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Source: Merchants Affluent Survey, 1996

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## On-Line Access To Travel Services

Following is the on-line-access information for travel-related services in the accompanying article.

*americanexpress.com/travel* offers air, hotel, and rental-car bookings.

*www.bonobonline.com* is Bed & Breakfasts On-Line, which lists locations throughout the country.

*www.biztravel.com* has updates on airfare discounts, hotel and car-rental promotions, and frequent-flier programs.

*www.city.net* has street maps, weather and sports reports, news, and other services for dozens of cities worldwide.

*expedia.msi.com* is an air-, hotel-, and car-booking service from Microsoft Corp. It includes destination information, travel news, and a travel magazine.

*hoteldiscount.com* offers discounted hotel rooms in major cities throughout the world.

*www.itn.net/cgi/get* is the Internet Travel Network; its reservation service works with travel agencies.

OAG is a comprehensive booking service available through CompuServe for \$28 an hour between 8 a.m. and 7 p.m. Central Time and for \$10 an hour at other times.

*reservations.com* is a service from Preview Travel for airline and car-rental reservations.

Travelers Access is a discount travel club for air, hotel, and car reservations; available on CompuServe and Prodigy.

*www.travelocity.com* offers air, hotel, and car bookings along with last-minute deals and vacation packages.

*travelweb.com* is a hotel-reservation system for more than 1.7 million rooms. More than 7,000 hotels can be booked on line. Flight information and reservations are also offered.

*www.ual.com* includes United Connection, an air-, hotel-, and car-rental-booking service owned by United Airlines.

*www.vicinity.com* includes a business directory and mapping services.



## MANAGING

# Casting The Net For Job Seekers

By Roberta Maynard

**J**ean E. West, recruiting manager at Salestar, a San Francisco firm that makes customized software for telephone companies, placed her first want ad on the Internet about a year ago.

She prefers hiring people who have a phone-company background. Because that pool of talent is scattered, she says, advertising reach is important. However, Salestar, with 60 employees and \$6 million in revenues last year, didn't have the resources to advertise through traditional media.

West decided to pay \$125 for a classified-ad listing that ran for 60 days with an Internet recruiting service. She not only found the right person to fill the job but also saved her company money—a weekend ad in her local paper would have cost three times as much.

Now she uses the Internet to advertise job openings ranging from administrative positions to software-testing engineers. And resumes have come in from as far away as Saudi Arabia.

"We've had such good success that I can't imagine going back to the old way," says West, remarking on the ease of simply filling out a one-page electronic form to place an ad.

Salestar is just one of a growing number of small firms that have discovered Internet recruiting. "What we're seeing is that small businesses are increasingly using our services," says Jeffrey C. Taylor, president and chief executive officer of The Monster Board, an Internet help-wanted service and a subsidiary of TMP Worldwide Co., a conventional recruiting firm in Framingham, Mass. "About 70 percent of the companies recruiting on The Monster Board have under 500 employees," he says.

While Internet classifieds continue to be heavy on high-technology jobs, the mix is becoming more diverse as Internet use continues to broaden. About 45 percent of



PHOTO: GLENDA RUE SCOTT

**An Internet classified ad placed by Salestar recruiting manager Jean E. West in San Francisco led to Kamran Lotfi of New York City taking a job as a product manager for the software firm.**

the 50,000 jobs listed on The Monster Board are for one sort of technician or another, according to Taylor. About 20 percent of the listings involve product management and development, and roughly 35 percent are completely nontechnical, such as marketing and retailing positions, he says.

Derek Surette, a "nontechie," got his job as an internal auditor for a manufacturer of prefabricated homes by looking at job listings on the Internet. He was working for an accounting firm in San Antonio when he decided to "poke around" on his roommate's computer, he says. He responded to several job ads, and within two months he had a

*Your next great employee may be as close as your connection to the Internet.*



new job with Oakwood Homes Corp. in Greensboro, N.C. He's one of three people in his 10-person department who learned of openings at the firm through the Internet.

## Where To Begin

Among the largest commercial sites are:

- Career Magazine;  
[www.careermag.com](http://www.careermag.com)
- CareerMosaic;  
[www.careermosaic.com](http://www.careermosaic.com)
- CareerPath;  
[www.careerpath.com](http://www.careerpath.com)
- CareerWeb;  
[www.careerweb.com](http://www.careerweb.com)
- JobCenter;  
[www.jobcenter.com](http://www.jobcenter.com)
- The Monster Board;  
[www.monster.com](http://www.monster.com)
- Online Career Center;  
[www.occ.com](http://www.occ.com)

As Internet use grows, many of the large sites are starting to subdivide their listings into specialty areas. CareerMosaic, for example, last year launched its Health Care Connection, which features jobs in the burgeoning health-care fields. The Monster Board created separate sites recently for college students, for CEOs, and for those interested in franchise opportunities.

Many small sites cater to groups, such as bilingual workers or black engineers, or to professions or industries, such as dentistry or fashion. Some industry association Web sites have their own job listings.

## Making A Choice

With so many places available to post a help-wanted ad, how do you choose? "Deciding where to place job ads is largely a



matter of trial and error," says Jeff Hodes, senior vice president of CareerMosaic, a service launched in 1994 by Bernard Hodes Advertising of New York City. "You can err by putting ads in too many places. It depends in part on the position being advertised. The key is to choose one or two and measure results."

Though on-line services are quick to cite the numbers of jobs they list, volume shouldn't be the only factor in determining where to advertise. Other considerations are the types of ads that run there, the costs of advertising, and ancillary services.

For example, some sites offer feedback to employers, such as tracking the number of resumes that a given job listing generates, and others offer recruiting articles and tips.

The cost of advertising varies with the term of the posting and the services included. About one-third of commercial sites do not charge for listings, usually because they are trying to expand their database of listings. Those that do set fees typically charge \$25 to \$150 per job listing, with the duration of listings averaging four weeks. A few commercial sites charge annual fees for unlimited postings. Most do not limit the amount of text in listings.

#### Preparing The Text

Writing a job's description for an on-line advertisement is different from writing newspaper or magazine classifieds. Those familiar with classified advertising, says Taylor of The Monster Board, "are trained to develop recruitment ads where we pay by the line, so we tend to scale down information about the position and the company." But when the ad goes on line, he says, "successful employers are taking their time and putting in a lot of detail."

Providing more than a job description helps a small company stand out in a sea of big names, says former job hunter Surette. "If your name is not well-known, the more detail you can put in, the better."

Providing information for job hunters is so important, says Hodes of CareerMosaic, that companies planning to do a lot of Internet recruiting should consider creating their own Web sites. That will allow them to showcase their products, services, culture, and mission statement.

Another tip: Include an on-line response form so that those interested in the job opening won't have to send a separate resume by e-mail or fax. To maximize response to an ad, Hodes says, you should make it easy for job hunters to fill in a resume page and hit a submit button.

#### Internet Recruiting On The Rise

As use of the Internet grows, what will happen to newspaper classified ads and other recruitment media?

"The Internet is not replacing any

current tool, such as newspapers, radio, direct mail, and career fairs, but as it grows it will deplete other forms," says Gerry Crispin, vice president of Shaker Advertising in East Brunswick, N.J. Crispin, who also is chairman of the committee on employment for the Society of Human Resource Management, a professional association in Alexandria, Va., says, "The majority of our [company's ad-placement] business continues to be newspapers and trade-association publications, but 25 to 50 percent of my clients now are asking about how to put [ads] on the Internet."

Meanwhile, newspapers themselves are increasingly putting their classifieds on line. As of November, says Crispin, 150 U.S. newspapers ran ads from their classified pages on the Internet, up from 10 in 1995. And many of those newspapers, including *The Wall Street Journal*, offer free Internet listings as a bonus for buying print ads.

"Eventually, every trade journal and newspaper in the U.S. will have some content with an Internet component," Crispin says. "Electronic advertising is going to be part and parcel of how people will get jobs."

Thus, Crispin says, the Internet will become a necessity for employers. "Compa-

nies are going to need to use this tool to attract the best and brightest," he says. "No smart kid will work for a company that doesn't offer emerging technology."

Although it's difficult to find hard facts to gauge the level of actual hiring via the Internet, the practice is growing, in part because on-line job-listing services make money. "It's long been true that recruitment [advertising] is the second-largest source of income on the Internet, following pornography," says Mike Frost, manager of on-line services for the Society of Human Resource Management. "Mostly, that cost is borne by employers."

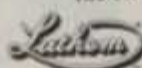
**K**amran Lotfi was working in New York City when he decided to relocate to San Francisco. He went on line to visit career Web sites, and he responded to about 25 ads last summer before taking a product-manager job at Salestar in San Francisco. The Internet widened his reach, he says. "A lot of jobs I found on the Internet would not have been listed in [local] newspapers."

From a small company's perspective, says Salestar recruiting manager West, the Internet "gives you international exposure for \$125. But don't take my word; try it yourself." **MB**



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# Dateline: Washington

Business news in brief from the nation's capital.

By Albert G. Holzinger

## ELECTRONIC RESOURCES

### Washington Information Abounds On The Internet

Many Washington-based organizations have Internet sites that provide a wealth of government-relations and other information to members and to the public, though dues payers generally can access more-detailed data by entering an identification number or password.

A good example is the recently revamped site of the U.S. Chamber of Commerce. Information at the site includes descriptions of business-related legislative issues; news concerning the organization's communications vehicles; details of upcoming education and training programs; and links to state and local chambers of commerce.

Says Richard L. Leshner, the Chamber's president: "Like the print publications, radio and television programs, and satellite broadcasts that came before it, the Internet site is an important

vehicle for providing the business community with the timely, insightful information that's necessary to succeed in the fast-moving marketplace. It's also a great way to keep businesses abreast of developments on Capitol Hill that could affect them—for better or worse."

The Chamber's site name is typical of other organizations' in that it is easily deduced: the organization's name preceded by "www" and followed by ".org"; in this case, it's [www.uschamber.org](http://www.uschamber.org).

But associations such as the Chamber are not the only sources of government-related information. In fact, you probably can learn through the Internet anything you want to know about the staff, programs, or requirements of a federal department or agency, the House or the Senate, the federal courts, or even some state and foreign governments. Moreover, in all likelihood the

information is available through the use of a single Web address as a starting point. That address is [www.yahoo.com/government](http://www.yahoo.com/government), a component of the popular Web directory known as Yahoo.

Information is accessible from Yahoo's government page by clicking a mouse on logical headings such as agencies, executive branch, international organizations, law, legislative branch, military, politics, and U.S. states. You also can ferret out information by typing in one or more relevant words and then clicking the "Search" button.

Two entities available through Yahoo but worthy of separate mention are the U.S. Small Business Administration site ([www.sbaonline.sba.gov](http://www.sbaonline.sba.gov)) and the Internal Revenue Service's site for tax forms and publications ([www.irs.ustreas.gov/prod/forms\\_pubs/index.html](http://www.irs.ustreas.gov/prod/forms_pubs/index.html)).

A wealth of excellent information on starting and operating a small business is available at the SBA site; the entire range of federal tax forms and related instructions for 1992 to 1996 as well as many state tax forms can be downloaded to your computer from the IRS site.



## ECONOMIC STATISTICS

### A Guide For Comparing Expenses By Year

The table at the right enables you to make approximate comparisons of business expenses and revenues in 1997 with like amounts in previous years, taking into account the effect of inflation.

The central element of the guide is the value of a dollar in any year relative to 1997, assuming the inflation rate this year will be 3 percent. The table shows, for example, that it will require \$4.16 this year to match the purchasing power of \$1 in 1970.

You can use the guide to determine, for instance, that sales of \$1.5 million in 1997 actually will be almost \$400,000 lower in value—in 1997 dollars—than sales of \$700,000 in 1977 when inflation is taken into account. (When the 1977 figure of \$700,000 is multiplied by 2.67, the result is \$1.87 million.) The guide is derived from the U.S. Bureau of Labor Statistics' monthly Consumer Price Index.

### How Costs Have Risen

To determine whether a recurring business expenditure has been increasing by more or less than the cumulative rate of inflation, multiply an outlay in any year by the figure to the right of the year. Compare the result with the 1997 expenditure to determine whether that business cost has increased or decreased relative to inflation as measured by the federal government's Consumer Price Index.

1970	4.16	1977	2.67	1984	1.56	1991	1.19
1971	3.99	1978	2.48	1985	1.50	1992	1.15
1972	3.87	1979	2.23	1986	1.47	1993	1.12
1973	3.64	1980	1.96	1987	1.42	1994	1.09
1974	3.28	1981	1.78	1988	1.37	1995	1.06
1975	3.00	1982	1.67	1989	1.30	1996	1.03
1976	2.84	1983	1.62	1990	1.24	1997	1.00

SOURCE: U.S. BUREAU OF LABOR STATISTICS. ASSUMES AN INCREASE OF 3 PERCENT IN 1997.



# FUTURE MARKETING

## Proven Solutions For The 21st Century

**Y**ou're talking with your customer, answering questions and describing your products. He wants to see some printed information. You scribble his name and address on an envelope, and put a brochure in the mail. A few days later, you remember the client, fumble for the address and your tickler file reminds you to call back and follow up.

"What do you think of my products? Did you get my brochure?" "No."

He never got it. It got lost in the mail, it came to the wrong office. He thought it was junk mail and trashed it. Maybe you forgot to send it. It doesn't matter what excuse you use, the fact is that you lost a sale. In the age of fax and e-mail, you might as well use courier pigeons as the post office. Yet mailing printed material is business as usual for most business owners.

What about fax technology? If the client asks for printed information, you take his fax number, drop papers in the fax hopper, and he gets your material right away. That's better, but it's still old-fashioned.

There is a smarter way to get information to prospects. Consider this: You give your client your special phone number. The system asks what information he wants and requests his fax number. He keys in his fax number and hangs up. A few seconds later the prospect gets your printed information along with a menu of additional options. The menu can say "Extension 101 is a product price list. Extension 102 has information on our financing plan. Extension 103 is the specifications on our deluxe model." The customer then calls back for more details Right Now. Your customers can get the information they want, right now, right in their fax machine, or the fax machine of their boss. And it happens NOW. That's how MarketFAX delivers information.

### A New Technology

MarketFAX is a new technology from Alternative Technology Corporation, Hastings-on-Hudson, N.Y. It combines new computer technology with voice cards, fax boards, and easy to use software to create a whole new type of information system. It's a better way to deliver information. It is instantaneous. It responds to your clients when their interest for your products are at a peak — right when they first see your ad. It gives your clients exactly what you want them to see. It's an entirely new service and it can work for you. It's easy for your clients to use, and changes how you get information into the hands of people who want it.

Here is an example: INC. Magazine planned to launch a new line of software products. Pressed for time, they chose MarketFAX to deliver a 10 question survey to customers from their in-house database. Using MarketFAX to tally the results, the survey quickly revealed that the market was willing to pay over 25% higher than what was originally projected. "MarketFAX enabled us to establish the precise price point for our software products..." said Jan Spira, Director, Product Group, INC. Magazine.

### The Complete Package

OK, so it delivers information right now. It must be hard. NO. The best part of MarketFAX is that it is as easy for the owner to use as it is for the customer. The system is delivered as a complete package based on a personal computer, with a scanner, some specialized computer boards and amazing software. All you do is plug it in, scan in your documents and begin telling people how to get it. That's it. It's easy.

To compete in today's rapidly changing global markets, savvy companies are using this new technology to improve communication channels with their clients. Now when a client asks for more information on your products, you answer, "Give me a fax number and you'll have it right now." Your customer can take care of their own information. Anytime. To Any fax machine. When they are HOT. You can also get prospects' phone numbers for your sales people to contact.

MarketFAX has enough extra capacity that you can lease extra extensions to friends and other businesses to help defray costs. MarketFAX can store codes for up to 10,000 separate multi-page documents.

Savvy business owners are finding hundreds of new uses for this kind of fax response technology. MarketFAX can be a business in itself. Ask any business leader and they will tell you that the 90's are all about competitive advantage. The business opportunities for MarketFAX are everywhere around you.

Try it right now! Call 800-783-7363. Ask for Extension 168 for information on our Enhanced Fax Services. For further details on the MarketFAX system, punch in Extension 727.



*President & Founder Tom Kadala says "Savvy business owners are finding hundreds of new uses for this kind of fax response technology."*

Alternative Technology Corporation  
One North Street • P.O. Box 357 • Hastings-on-Hudson, NY 10706  
Tel: (914) 478-5900 • Fax: (914) 478-5908





# Managing Your Small Business

*Deciding it's time to regroup the firm; turning around a downturn; working the Web.*

By Roberta Maynard

## PRODUCTIVITY

### A Client-Centered Firm's Lessons in Teamwork

Professional firms that organize their employees into cross-functional teams can find that the strategy leads to better management of clients' work and better client service overall. Those were the results for a market-research firm in Minneapolis that adopted this type of team approach in the early 1990s after changes in the economy prompted reassessment of the firm's approach to doing business.

"Our clients were downsizing and asking more of us," recalls Judith Corson of Custom Research Inc. "We were also experiencing a flattening of growth, and we wanted to have a more consistent selling effort." So Corson and Jeffrey Pope, the firm's two partners, abandoned the traditional structure of departments organized by function and grouped their 100 or so employees into account teams, each headed by an account manager and a research manager with equal authority.

By having every aspect of a client's work handled within the team rather than by separate departments, communication and the tracking of work improved, says Corson.

After the system had been in place for a couple of years, however, the partners saw that it presented a major drawback. Team members were becoming limited, learning only about the clients or the business categories handled by their group—product testing, for example, or consumer research. To solve that problem, Corson and Pope decided that once or twice a year staff members would be reorganized into new teams, their size determined by the volume of work at hand.

As a consequence of changing to a team approach, revenue per full-time employee at Custom Research has risen 70 percent, the partners say. The firm's billings last year totaled \$22 million, up from \$10 million in 1985.

Moreover, feedback from clients shows steady improvement in project performance: The firm meets or exceeds clients' expectations on 97 percent of its projects. It is rated by 92 percent of its clients as better



PHOTO: STEVE WORT

**Exceeding expectations:** Partners Jeffrey Pope and Judith Corson created cross-functional teams among their research firm's employees, and clients applaud the results.

than the competition on level of service.

Such results can't be achieved through a short-term effort, though. Firms planning a switch to cross-functional teams should be prepared to devote resources to continuing staff training, the firm's partners say. Training at Custom Research averages

more than 120 hours per employee per year.

In 1996, Custom Research became the smallest firm and the first professional-services firm to receive the annual Malcolm Baldrige National Quality Award, which recognizes companies with outstanding quality-management systems.

## PERFORMANCE

### Traits That Lead To The Top In Sales

What makes some salespeople more successful than others? To identify those success factors as an aid in developing training programs, the Ron Volper Group Inc., a consulting firm in White Plains, N.Y., that specializes in sales management, studied 100 salespeople from diverse industries in small and large companies nationwide.

The study showed that high-performing salespeople plan their primary and secondary sales calls, carefully developing a questioning strategy for drawing out custom-

ers' needs and preparing responses to potential objections.

In fact, top performers consistently developed written plans not only for sales calls but also for handling key accounts and managing their territories.

Top performers tend to ask many questions of prospects, according to the study, and they are good listeners, allowing customers to talk 60 to 70 percent of the time. They also are more likely to take care of their own professional development by attending sales-training seminars and listening to or reading motivational tapes and books.



## EXPANSION

### Getting A Handle On Fast Growth

A downturn in sales can be a godsend if it triggers changes that allow a firm to grow. When sales of Robert Schneider's home-improvement company dropped to \$32.3 million in 1991 from \$34.1 million in 1989 after several previous years of increases, he concluded he had to change the way he and the company operated.

Schneider, president of Patio Enclosures Inc., a Macedonia, Ohio, firm that manufactures and installs sun rooms and other glass enclosures, concluded that his managers' micromanaging and his own tendency to control all aspects of the operation were hampering growth. These factors led to inefficiency and restricted the authority of employees to do their jobs effectively.

As a first step, Schneider made himself CEO and designated a new president, which gave him time for long-term planning.

Then he positioned the company for



PHOTO: SHIRLEY JANE

*Letting in the sun: Robert Schneider changed his patio-enclosure firm's culture to accommodate growth.*

growth. He worked with a consultant to develop a mission statement, a strategic plan, and a market-position statement. He created a commercial division to open new markets, invested in training for installers, gave workers more authority, and revamped the company's culture, largely by improving communication with employees.

He also shifted resources to the development of new products; the company had only one product at the time. And he engineered a change in the corporate mind-set to one that shuns complacency.

"We constantly have to be on the alert to reinventing ourselves," Schneider says. The company has grown from one business location to 19 branch offices and 11 franchises. Revenues in 1996 reached \$53 million.

## THE INTERNET

### Useful Web Sites For Small Companies

Here are some of the many World Wide Web addresses where you can find valuable information, links to other business-related sites, and forums for communicating electronically with other business owners, potential suppliers, and customers.

#### Management And General Business

The Business Resource Center, at [www.kcilink.com/brc](http://www.kcilink.com/brc), offers discussion groups and information on many topics, including finance and management.

The Microsoft Small Business Center, [www.microsoft.com/smallbiz](http://www.microsoft.com/smallbiz), provides a wealth of information under the general subject headings of starting, running, and growing a business. The site also provides material on implementing information technology in a small business.

EntrepreNet, at [www.entrepreneur.org/enet](http://www.entrepreneur.org/enet), has a business library and links to other business-resource sites.

Entrepreneurs on the Web, [www.eotw.com](http://www.eotw.com), is a source of links to business publications and associations.

The NetMarquee Family Business Center, [www.nmq.com](http://www.nmq.com), offers information on family-business issues and events.

#### Merchandise Mart

BarterNet, [www.barternet.net](http://www.barternet.net), lists goods and services available for trade—from belt buckles to time sharing.

BizWeb, [bizweb.com](http://bizweb.com), lists thousands of

companies and their offerings in 130 product categories.

Business Broker Web, [business-broker.com](http://business-broker.com), lists companies for sale. A business can be listed for \$25 for three months.

Government Contractor Resource Center, [www.govcon.com](http://www.govcon.com), contains federal bidding opportunities.

#### Marketing

Trade Show Central, [www.tradeshowcentral.com](http://www.tradeshowcentral.com), is an easy-to-search listing of U.S. and international trade shows.

EXPOguide, [www.expo-guide.com](http://www.expo-guide.com), lists trade shows and conferences.

The American Marketing Association, [www.ama.org](http://www.ama.org), lists marketing conferences and information about its services.

#### Finance

Capital Quest, [www.usabusiness.com/capquest](http://www.usabusiness.com/capquest), is a showcase for entrepreneurs seeking investors. You can list your venture for a basic fee of \$65 a month.

Scor-Net, [www.scor-net.com](http://www.scor-net.com), contains information about public offerings by small companies and about financing strategies.

#### Finding Suppliers

IndustryLink, at [www.industrylink.com](http://www.industrylink.com), is an extensive listing of companies' Web sites, organized by industry. Listings are free.

Thomas Register, [www.thomasregister.com](http://www.thomasregister.com), is the on-line version of the multiple-volume register of American manufacturers.

Hoover's Online, [www.hoovers.com](http://www.hoovers.com), is a directory of thousands of companies. Some of the information is free.

#### Due Diligence

Dun & Bradstreet, [www.dnb.com](http://www.dnb.com), offers business tips, marketplace information, and information about D&B services.

Better Business Bureau, [www.bbb.org](http://www.bbb.org), lets you check on complaints about companies with which you might do business.

Copyright Clearance Center, [www.copyright.com](http://www.copyright.com), is a nonprofit organization that helps firms navigate U.S. copyright laws.

#### Human Resources

Benefits Link, [www.benefitslink.com](http://www.benefitslink.com), contains human-resources information and related articles.

Society of Human Resource Management, [www.shrm.org](http://www.shrm.org), contains human-resources articles, membership information, and many business links.

For information about using the Internet to recruit qualified employees, see "Casting The Net For Job Seekers," Page 28.

## NB TIP

### Handling Workplace Grief

Managers of employees who are coping with the death of a loved one or a co-worker can find informative suggestions in a 20-page booklet, *Death in the Workplace: Workers and Managers Dealing With Grief*.

To order, call Grief Encounters, Inc., in Edina, Minn., at (612) 922-3469. The single-copy cost is \$3.95; discounts are available for 12 or more copies.



# Making It

*Growing businesses share their experiences in creating and marketing new products and services.*

## Bound For The Internet

By Margie Slovian

**W**elcome! Michael Crichton's latest has just come in, and so has that book you wanted on Australian cooking. As usual, all national bestsellers are 30 percent off today. So grab a cart and start shopping.

No, it's not your neighborhood bookshop. You can't crack a book there or wonder what that woman in the Music section is buying. But when you arrive—getting there takes only a few computer key-strokes—you'll find the biggest selection of titles anywhere, says the company's owner—1.1 million, complete with synopses and links to related works. You can swap opinions with other customers or offer title suggestions for mystery writer Sue Grafton's next book (*N Is for Nuts* and *N Is for Nausea* have already been proposed).

This is Amazon.com Books, a store that exists only on the Internet at the address [www.amazon.com](http://www.amazon.com). In April 1994, its founder, Jeff Bezos, was a 30-year-old hedge-fund executive in New York City with a secret passion for the then-infant business of electronic retailing. While surfing the Internet one day, he came across the statistic that World Wide Web usage was growing by 2,300 percent a month.

"I felt an incredible sense of urgency," Bezos says. "When something's growing that fast, every second counts." He made a list of 20 products he thought might sell well on line and settled on books—primarily, he says, "because there are so many."

Within two months, he had quit his job, packed up his family (his wife, MacKenzie, an aspiring novelist, and their Labrador retriever, Kamala, named for a minor "Star Trek" character), and moved to Seattle to launch Amazon.com Books. He chose Seat-

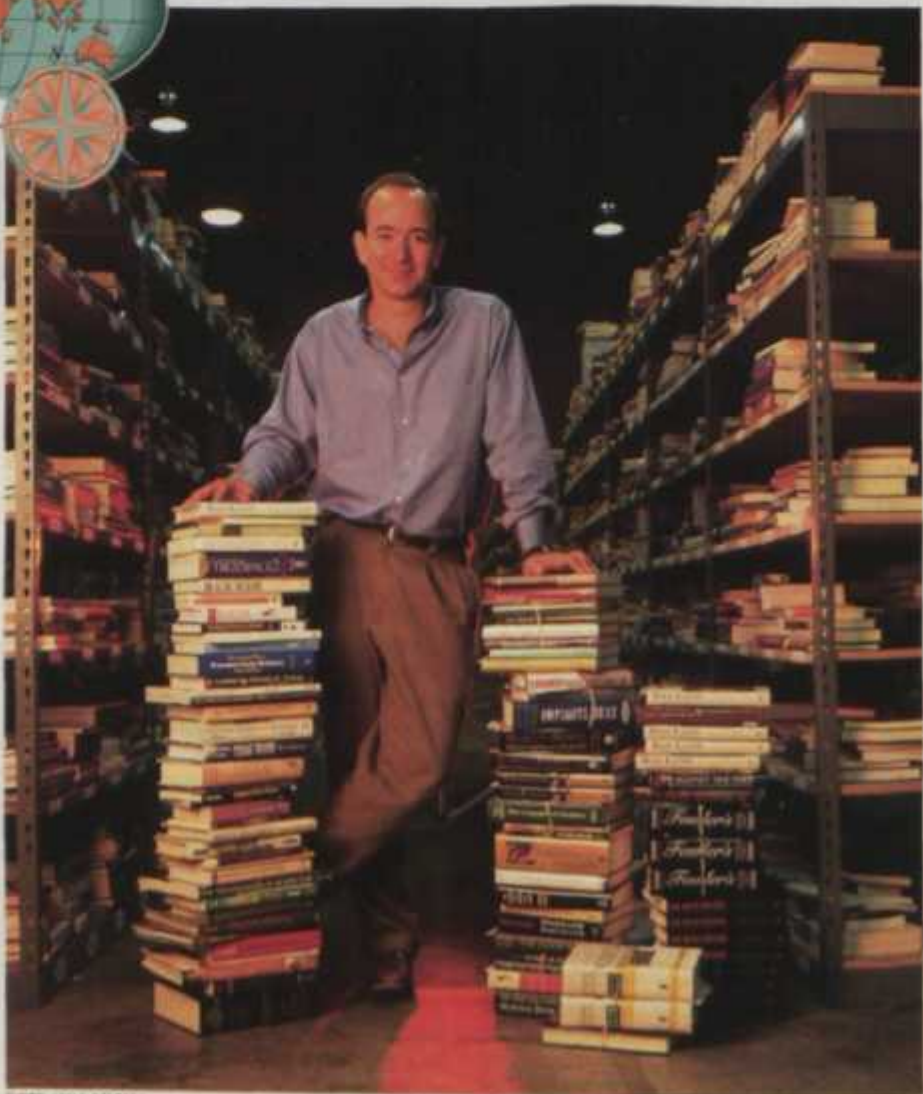
tle because it has a pool of talented computer professionals and is near two major book wholesalers.

Fueled by word of mouth—or, more accurately, word of e-mail—Amazon.com (named for the second-longest river in the world) took off like a toddler in a toy store after the enterprise went on

line in July 1995. Delighted by the enormous choice of books, the customer service, and the user-friendly design of the Web site, Internet users began plugging Amazon.com in various on-line public forums known as newsgroups, some of which reach thousands of people.

Yahoo, a popular Internet directory service, put Amazon.com on its "What's Cool" page for almost a year. Richard Harte of BookSite ([www.booksite.com](http://www.booksite.com)), a competitor, says unequivocally, "Their site was the standard-bearer on the Internet."

Amazon.com makes electronic commerce look easy. A key-word search on a subject



Internet entrepreneur Jeff Bezos sells volumes of volumes via the Web. He calls his Seattle firm "Earth's biggest bookstore."

PHOTO: LARRY SOULERS



brings up a list of titles in print, and each title has its own page. To order, you type in shipping information and your credit-card number (or phone or fax the number if you prefer). Amazon.com will e-mail a confirmation to you when your book is shipped. Popular books go out within three days; special orders take four to six weeks.

What's really fun at Amazon.com is the feedback. You can check out what other customers thought of the book you're considering, as their candid comments are right on the page. The runaway bestseller *The Rules: Time-Tested Secrets to Capturing the Heart of Mr. Right* inspired the following review from one male reader: "Machiavelli in a dress. This is a great book for men to read for counterwarfare tactics."

The initial "cyberbuzz" about Ama-

zon.com netted \$8 million in venture capital from Kleiner Perkins Caulfield & Byers in San Francisco. As of December, Amazon.com had 165 employees and had moved to its fourth warehouse, where it stocks the 500 bestselling titles. (Other titles are ordered from wholesalers and publishers.)

Bezos does not disclose sales figures but says Amazon.com is growing at a rate of 3,000 percent a year. In the new and unpredictable world of Internet retailing, he hopes to keep customers coming back by offering them "an astounding value proposition." A key to success, he says, is hiring and nurturing talented employees. He spends over half of each workday recruiting.

The irrepressible Bezos says he expects his company to reach \$1 billion in annual sales by 2000. Experts on the book-sales

industry say there may indeed be that much money to be made on line, but the field is about to get more crowded. Bookstore giants Barnes & Noble and Borders, among others, plan to launch retail sites on the Web this year.

But you have to be quick to keep up with Bezos. On a tour of Amazon.com's maze-like offices, he's way ahead of you as he lopes around each bend. He expects to stay in front of the competition, too. "Our job," he says, "is to make sure our service, in every dimension, is better than everybody else's."

So far, his customers seem to think it is. As one wrote, "Amazon? Amazing? I thought they were synonyms." ■

*Margie Sloan is a free-lance writer in Seattle.*

## Black Gold And True Grit

By Michael Barrier

**Y**ou would have to say that Stan Miller and Gary Lewis are inventive fellows.

A few years ago, they moved one of their businesses into a building in Skiatook, Okla., north of Tulsa, that had been occupied briefly by an auto dealership. The heating source for the building was supposed to be a 10,000-gallon propane tank. They decided they didn't want to pay to fill up the tank, so they drilled for natural gas in the parking lot. Now they use that gas to heat the building.

Drilling is something they know how to do. LAMAMCO Drilling Co., which they started together as the Lewis and Miller Co. in the mid-1970s, has 65 employees and produces about 1,600 barrels of oil a day from more than 300 wells in Oklahoma and Louisiana.

Another Miller-Lewis firm housed in the building in Skiatook, Stanley Filter Co., makes a product designed to eliminate one of the oil industry's most durable annoyances. It was in 1988, says Lewis, 45, that "Stan and I came across problems with sand coming into a well. We couldn't even produce a well for minutes; just a few strokes, and the pump would lock up" from grit in the oil.

They began asking around to learn how they could filter out the sand before it could ruin the pump. The answer was that there was really nothing they could do.

Miller, 41, who was studying petroleum engineering at the University of Tulsa before he quit to go into the oil business, designed a filter himself, essentially a 3-foot-long tube wrapped in a filtering screen. The result was impressive. "That well that wouldn't stroke four times went 11 months without a failure," Lewis says. Now

the Stanley Filter—patented and much refined over the original version—comes as long as 12 sections, each 30 feet long.

Stanley Filter is only now beginning to go

filter has not been particularly easy. The reasons are rooted in the mid-1980s oil-price bust, which traumatized the industry.

Stanley Filter is dealing now with survivors—people who managed to keep their jobs when heads were rolling all around them. Such people tend to be extremely cautious. Replacing a pump every four weeks may seem unwarranted, but if that's



**The innovative filter produced by Oklahoma oil drillers Stan Miller, left, and Gary Lewis keeps sand out of pumps used in oil wells.**

beyond a low-key marketing effort. Curtis J. "Bud" Biram, LAMAMCO's general counsel, says, "We're getting the historical data that we need." That is, enough filters have been in place for enough time to produce hard data supporting the company's product claims.

Despite such support, marketing the

what has been done for 40 years, nobody will get in trouble for continuing to do it.

Stanley Filter does have one great advantage in this marketing struggle, though. As Lewis says, "We're oil people; we've drilled 1,500 wells. We can communicate straight across to them. We've got good down-hole glasses." ■



# Congratulations Enterprise Initiatives



THE  
BLUE CHIP  
ENTERPRISE  
AWARD

Share your success story!



# to the Blue Chip ve 1997 Honorees!

This year's honorees have overcome a host of issues from intense foreign competition to earthquakes to raising capital.

Four national honorees were selected from the state honorees and recognized during the U.S. Chamber of Commerce's annual meeting in Washington, DC.

The published case histories of all honorees will be available early this summer in a softcover book.

Fifty of the state honorees will also be featured on "First Business," a weekday 30-minute TV program on more than 100 stations nationwide.

## Application Requirements

Any for-profit business that has been in operation for at least three continuous years and that employs between 5 and 300 persons is eligible to participate. Independently owned franchises are eligible. All nomination forms require the signature of at least one of the company's principals.

Here are four easy ways to apply. ★ Look for the 1998 Blue Chip Enterprise Initiative application in the July issue of *Nation's Business*. ★ Call 1-800-FOR-BCEI to have an application mailed.

★ Ask your local MassMutual agent for more information. ★ [www.nationsbusiness.org/bluechip.html](http://www.nationsbusiness.org/bluechip.html)

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# Opportunity's Many Faces

By Michael Barrier



It was the kind of setback that might have doomed a less resilient company. In 1994 in Findlay, Ohio, City Laundry and Drycleaning Co., a 50-year-old local institution, was hit by a fire that caused a loss of more than \$5 million. The fire destroyed the company's production facility and a large part of the inventory of uniforms and linens that it leased to business customers.

City Laundry had a few things going for it, though. Its corporate offices were spared, and its delivery vehicles were already loaded with merchandise for delivery on the next business day. And, most important, the company's management had prepared a disaster plan several years earlier.

The company's employees knew what their responsibilities were in an emergency. City Laundry had even struck agreements with other local firms to direct work to them if its own operations were interrupted.

As City Laundry's own account of its experience puts it, "Within 24 hours of the fire, the company had leased a 34,000-square-foot building on Main Street in Findlay, had replacement inventories being shipped from vendors around the

country, [had] ordered over \$1.5 million worth of equipment and had solidified arrangements with five competitor companies to process our work, and [had] established a solid 'insurance claim settlement team' internally to handle our negotiations with our insurance company."

At 7 a.m. the first business day after the fire, City Laundry was back in business. Despite the fire, its revenues grew by 9 percent in 1994 and 12 percent in 1995.

City Laundry and Drycleaning Co. is one of 170 small businesses designated as Blue Chip Enterprises in the annual competition co-sponsored by Massachusetts Mutual Life Insurance Co.

## THE BLUE CHIP ENTERPRISE AWARD

(known as MassMutual—The Blue Chip Company), the U.S. Chamber of Commerce, *Nation's Business*, and "First Business," the half-hour, morning TV news program presented jointly by MassMutual and the Chamber.

The Blue Chip Enterprise Initiative began in 1990 with the goal of helping small businesses learn from one another's experiences. Applications for the seventh year of the program were accepted last fall, and the designees were chosen by a panel of judges who rated the applicants on the size of their challenges, how effectively they used their resources, and the scope of their successes. Like the other Blue Chip companies, City Laundry surmounted a business challenge in exemplary fashion.

## 1997 Blue Chip Enterprise Companies

### ALABAMA

Baron Services, Inc. (weather-systems development and sales), Huntsville; Communication Network Corp. (telecommunications), Birmingham; E.D.H. Enterprises, Inc. (senior-living facility), Hazel Green; The Mitchell Co., Inc. (real-estate development and management), Mobile.

### ALASKA

Postal Instant Press of Alaska (printing and mailing), Anchorage.

### ARIZONA

Ap'ropo Fashions & Image Dynamics, Inc. (women's apparel; professional speaking), Scottsdale; Chem-Pro Scientific (chemical products), Tucson; McIntyre Construction, Inc. (general contractor), Tempe; Southwest Peripheral Services Inc. (computer repair), Phoenix.

### ARKANSAS

Frederica Pharmacy (pharmacy services and gifts), Little Rock.

### CALIFORNIA

Artis Inc. (craft products and television production), Buellton; Graphic Communications, Inc. (commercial printing), San Diego; Howard Fabrication Inc. (stainless-steel parts), Industry; K.L. Manufacturing, Inc. (leather handbags), Larkspur; Napa Printing & Graphics Center (copying), Napa; Peoples Sausage Co., Inc. (manufacturing and wholesaling), Los Angeles; Poway Valley Collision (auto-body repair), Poway; Thermatrix Inc. (air-pollution-control equipment), San Jose; Wilshire TV & Stereo, Inc. (retail), Thousand Oaks.

### COLORADO

Antalys, Inc. (software development), Golden; DSM Manufacturing Co.

(custom electronics hardware), Denver; Muller Engineering Co., Inc. (civil-engineering consulting), Lakewood; RE/MAX International, Inc. (real-estate franchising), Englewood; Sciencetech, Inc. (scientific instruments), Boulder.

### CONNECTICUT

CompuMail Corp. (direct mail), Milldale; Garrity Industries, Inc. (disposable flashlights), Madison.

### DISTRICT OF COLUMBIA

AMEX International, Inc. (economic consulting); The TCI Companies (special-event management); Trifax Corp. (health-care services).

### FLORIDA

Blackwelders Unfinished Furniture, Miami; Books Plus of Palm Beach County, Inc. (bookstore), Lake Worth; Chapman Produce Co.



The four companies that emerged at the top of the judging were honored as national designees at the U.S. Chamber's annual meeting in February. A full report on those four companies will appear in the April issue of *Nation's Business*.

As in previous years, profiles of high-scoring Blue Chip companies will air weekly on "First Business." The first four profiles—of the four national designees—are to be broadcast April 1-4; on each Thursday thereafter, there will be a profile of a different state Blue Chip designee.

The TV segments will be gathered into a three-cassette videotape library and made available to small businesses nationwide through state and local chambers of commerce. In addition, the case histories of all 170 Blue Chip Enterprises will be presented in a widely distributed book. All designees will receive trophies at regional award ceremonies.

The competition is open to any for-profit company that has been in business at least three years, employs five to 300 people, and has overcome significant challenges. Those challenges can be of many kinds,

ranging from a fire or flood that threatens a business's existence to a market change that demands a creative response.

As the application says, the challenges "may include new competition, loss of a major client, changes in the industries/geographic markets you serve, loss of key personnel or capital funding, [and] rapid

to go under after three years of declining sales. Everything from difficult parking to the rise of managed care made the shrinking of its customer base seem irreversible.

Freiderica's owner fought back, though, refurbishing the store, advertising through unconventional channels (such as fliers distributed through intra-office mail), and accommodating managed care's requirements in every way possible. The store imposed stricter controls on its inventory, even while increasing its stock of impulse-purchase items.

The result, owner W. Lynn Fruchey reported in his application, was that sales more than doubled in three years.

Applications for the next competition are available from state and local chambers of commerce and from MassMutual associates around the country. You can also call 1-800-FOR-BCEI (1-800-367-2234) for application forms and for general information about the Blue Chip program.

Below are the 1997 Blue Chip designees, by state:

*As this year's  
Blue Chip Enterprises can tell you,  
coping with challenges can  
strengthen a company.*

growth," as well as natural disasters.

Such a list can be only illustrative because there is, of course, no limit to the kinds of challenges a business might face. A challenge need not be as dramatic as the one with which City Laundry contended; it can in fact be insidious, the sort of gradual decline that tempts a business owner to throw in the towel.

For example, Freiderica Pharmacy, in downtown Little Rock, Ark., was about

(distribution), Tallahassee; Club La Vela (entertainment complex), Panama City Beach; Computer Rescue Squad (technical support), Cape Coral; Freight Solutions, Inc. (freight handling), Stuart; King Landscaping & Sod of Southwest Florida, Inc., Cape Coral; Pak Mail Centers of America Southern Region (packaging and shipping franchising), Boca Raton; Telemanagement Services, Inc. (pharmaceutical telemarketing), Fort Lauderdale.

#### GEORGIA

Antigua Mills, L.P. (rug manufacture and sale), Dalton; Ashford Engineers, Inc. (civil engineering), Smyrna; Express Personnel Services, Griffin; Heel Quick, Inc. (shoe repair), Atlanta.

#### ILLINOIS

Guernsey Dell (confection supplies), Chicago; Hana K (outerwear), Evanston; IAPS, Inc. (magnetic and digital media duplication), Morton Grove; Taylor Management Systems (computer consulting), Des Plaines.

#### INDIANA

Curtis Dyna-Fog Ltd. (pesticide applicators), Westfield; Indiana Automation, Inc. (consulting engineering), Noblesville; Redirections, Inc. (real-estate signs), Carmel; The Linder Co. (real estate), Indianapolis; Wiers International Trucks, Inc. (sales, parts, and service), Plymouth.

#### IOWA

Bankers Trust Co. (financial services), Des Moines; CIVCO Medical Instruments Co., Inc. (ultrasound equipment), Kalona; Healthy Exchanges (cookbooks and newsletter), DeWitt.

#### KANSAS

Accommodations By Apple, Inc. (business-traveler housing), Lenexa; Midwest Single Source, Inc. (office products), Wichita; Seals, Inc. (leak-control devices), Lenexa; Superior Healthcare Staffing, Inc., Leawood.

#### KENTUCKY

Bessler Auto Parts (recycling), Hebron; Consumers Choice Coffee (specialty beverages), Louisville; HiTech Polymers, Inc. (plastic materials), Hebron; Marshall County Family Medical Center, Benton; Miracle Groom Products, Inc. (pet products), Lexington.

#### LOUISIANA

Harvey Specialty & Supply Inc. (oil-field equipment), Belle Chasse; Lee Medical International, Inc. (medical supplies), Harahan; Studio IV Fitness Center, Raceland.



## ENTERPRISE

## MAINE

RF Technologies Corp. (microwave components), Lewiston; Twin Cities Air Service, Inc. (charter service and flight instruction), Auburn.

## MARYLAND

American Language Academy, Rockville; The EPI Companies (computer services), Rockville; Shapiro & Duncan, Inc. (mechanical contracting), Rockville; Tyler Mechanical Contracting, Inc., Jhamesville.

## MASSACHUSETTS

Burke Distributing Corp. (beer delivery), Avon; DataProfit Corp. (financial systems), Holyoke; Jenson Manufacturing (garments), Fall River; Quality Solutions, Inc. (book-industry software), Stoneham; Randolph Engineering (sunglass manufacturing), Randolph.

## MICHIGAN

Bronner's Christmas Wonderland (gifts), Frankenmuth; Gordon & Co., P.C. (CPA services), Troy; J.O.A. Construction Co. Inc. (commercial construction), Southfield; Van Arman Travel Headquarters, Inc. (corporate and disabled travel services), Birmingham.

## MINNESOTA

Lindar Corp. (custom plastics), Baxter.

## MISSISSIPPI

The Plant & Patio Center, Inc. (retail garden centers), Jackson.

## MISSOURI

Caribou Corp. (automotive cleaning), St. Louis; C.J. Roberts Manufacturing, Inc. (wire rope fittings), Harrisonville; Scholin Brothers Printing Co., Inc. (commercial printing), St. Louis; Wellington Environmental Consulting & Construction, Inc., St. Louis.

## MONTANA

Wheat-Montana Farms and Bakery (food distribution), Three Forks.

## NEBRASKA

Bullet Weights (fishing sinkers), Alda; Care Consultants for the Aging Inc., Omaha; Certified Transmission Rebuilders Inc., Omaha; Zio's Pizzeria Inc., Omaha.

## NEVADA

Computer Skills Institute, Las Vegas; Oceanview Interiors (interior design), Las Vegas; Thermax (carpet-cleaning machines and supplies), Reno.

## NEW HAMPSHIRE

All Metals Industries, Inc. (distribution), Belmont; Pine Rock Manor (elderly residential care), Warner; Rivers Camera Shop, Inc., Dover.

## NEW JERSEY

Accutec, Inc. (promotional products), Wallington; Armand Corp. (engineering and construction), Mount Laurel; Image Copy Systems, Inc. (office equipment), Piscataway; MC2 Corp. (computer services), Warren; NCS Recovery Corp. (collection agency), Hackensack.

## NEW MEXICO

Lukens Medical Corp. (disposable medical products), Albuquerque; Rio Grande Travel, Albuquerque; Star Paving Co., Albuquerque; SVS, Inc. (engineering), Albuquerque.

## NEW YORK

Air Ideal, Inc. (heating and air conditioning), Mineola; Coherent Research, Inc. (computer map applications), East Syracuse; Maho Bay Camps, Inc. (eco-tourism), New York; R.W. Hall General Contractors, Inc., Jamaica; Sterling Testing Systems (job screening), New York; Telergy/KCI (telecommunications), Syracuse.

## NORTH CAROLINA

Clark Communications (graphics and printing), Asheville; Digital Recorders, Inc. (transportation message systems), Durham; Electronic Manufacturing Services Group, Inc., Raleigh; King's Office Supply, Inc., Lincoln.

## OHIO

City Laundry and Drycleaning Co., Findlay; FormPac Corp. (packaging components), Sandusky; Gateway Title Agency, Inc., Brockville; Waste Technologies Industries (hazardous-waste incineration), East Liverpool.

## OKLAHOMA

Chimi's Inc. (Mexican restaurant), Tulsa; Mersch-Bacher Associates Inc. (software), Tulsa; Old Germany Restaurant Inc., Choctaw; Pro-Fab, Inc. (aerospace machined parts), Oklahoma City.

## OREGON

Good Catalog Co. (catalog distribution), Portland.

## PENNSYLVANIA

Americare Health Services, Inc. (preferred-provider organization), King of Prussia; Capital Flooring, Inc. (retail), Harrisburg; E-FINITY Corp. (building energy management), Wayne; NEPA Partnership (fast food), Williamsport; Plastic Development Co., Inc. (whirlpools and spas), Williamsport; Quaker Construction Services, Inc. (renovations), Millville.

## PUERTO RICO

Accupharma Research & Scientific Consulting, Inc. (laboratory services), Gurabo.

## RHODE ISLAND

East Coast Collision and Restoration (auto-body repair), Warwick; East Coast Screen Printing (apparel), Cumberland; Rehab New England, Inc. (pediatric services), Warwick.

## SOUTH CAROLINA

Allied Steel Corp., North Charleston; Shelia's, Inc. (gift manufacturing), Charleston; Sticky Fingers (restaurant), Charleston; Travel Agent International (corporate services), Mount Pleasant.

## TENNESSEE

Bandit Lites, Inc. (entertainment lighting), Knoxville; Brooks Shaw & Son's Old Country Store (tourist attraction), Jackson; J&S Construction Co., Inc., Cookeville; Metropolitan Security, Inc. (security services), Chattanooga; The Loft, Inc. (restaurant), Chattanooga.

## TEXAS

Burnett Personnel Services (temporary and permanent placements), Houston; Carmelo's Inc. (Italian restaurant), Houston; Design Edge (computer services), Austin; Fellers Specialty Advertising, Inc. (distribution), San Antonio; Kompany Kids, Inc. (child care), Dallas; Lombardo Custom Apparel (menswear), Dallas; SabreData, Inc. (computer networks), Austin; Southwest Bank of Texas, N.A., Houston; Universal Fidelity Corp. (financial services), Houston.

## UTAH

Associated Analysts Inc. (energy management), Salt Lake City; Cirque Corp. (computer touch-pad products), Salt Lake City; Feller Stone, Inc. (landscaping), Veyo; Layton Construction Co., Inc., Sandy.

## VIRGINIA

Arrowhead Space and Telecommunications, Inc. (information systems), Fairfax; College & University Computers, Inc. (manufacturing and retailing), Williamsburg; Douglas Publications, Inc., Richmond; Unitel Corp. (telephone services), McLean.

## WASHINGTON

Buckeye Beans & Herbs, Inc. (food distribution), Spokane; Deeny Construction Co., Inc. (underground utilities), Seattle; Executive Diversity Services, Inc. (consulting and training), Seattle; HyperBole Studios (interactive entertainment media), Seattle.

## WISCONSIN

Beacon Health Corp. (publishing and training), Mequon; Design Concepts, Inc. (industrial products), Madison; P.D.Q. Tooling, Inc. (industrial tools), Saint Francis; Stare-N-Maibusch Inc. (golf course), Caledonia.



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## FINANCE

# Lending With A Personal Touch

By Sharon Nelton

**Y**ou may think of banks owned by women or minority-group members as the banks of last resort—those you go to when no other bank will give you a business loan. But that's not necessarily the case. They can be the banks of first resort.

smaller loan from a state agency. One of the banks was the African-American-owned City National Bank of New Jersey in Newark. Although he had not been turned down by the other banks, which were not minority-owned, "they were dragging their feet," he says. City National responded

*Banks owned by minorities or women are inclined to grant small loans, offer personal service, and make decisions quickly.*



Financing for the expansion of Adetunde Dada's Orange, N.J., store was approved quickly by the black-owned City National Bank of New Jersey. Behind Dada, from left, are Milton K. Farron, assistant vice president of the bank; Stanley M. Weeks, senior vice president; and Louis E. Prezeau Sr., CEO.

That's what Adetunde Dada found when he sought funding in 1993 to expand Tunde Dada House of Africa, an Orange, N.J., store that sells African-inspired goods such as housewares, art, books, and clothing. Dada's inner-city business had outgrown its 2,000-square-foot location, and Dada had his eye on a former bank building across the street. The building was for sale and could be converted into a store with 15,000 square feet on three levels.

He approached banks for a mortgage loan that would be made in conjunction with a

faster than the other banks, approving a loan of \$282,000. "It's a smaller bank. People have faces, and they are able to make decisions faster," says Dada.

## No Loan Too Small

A small-business owner will have "a lot more access to somebody who can make decisions" in a minority-owned or small bank, according to Louis E. Prezeau Sr., president and CEO of City National. He is also immediate past chairman of the National Bankers Association (NBA), a Washington, D.C.-based trade group representing more than 50 minority- and women-owned banks across the country.

The NBA's literature emphasizes that its member institutions are dedicated to

"providing employment opportunities, entrepreneurial capital, and economic revitalization in neighborhoods which often have little or no access to alternative financial services." By definition, a minority- or women-owned bank is one that has at least 51 percent of ownership in the hands of minorities or women.

A larger bank might balk at doing small loans, but Samuel L. Foggie Sr., president of the NBA, says, "We don't find loans too small to make." If a loan will contribute to the development of a community and the applicant is creditworthy, Prezeau and Foggie say, a minority bank will try to find a way to make the loan.

Minority-owned banks tend to do more "hand holding" than larger banks, adds Prezeau. Their clients often lack borrowing experience. "A major part of the service that we provide to the community is educating them in how to package a loan request or how to get a business loan," says Prezeau.

Foggie points out that all of the NBA's member banks are in urban areas, many of which are depressed and have been deserted by major banks. Banks in such areas have to be especially innovative,

he says, "to continue to build the communities that they serve."

Looking for a business opportunity, Dada and his wife, Temi, the firm's vice president, had immigrated to the United States from Nigeria in 1990. With \$5,000 in savings and \$10,000 borrowed on credit cards, he started Tunde

Dada House the year they arrived. By 1993, annual sales had risen to \$600,000.

When Dada began looking for the nearly \$400,000 he needed to buy the bank building and expand, he got help in putting together a business plan from a local economic development center. At the same time he was talking to banks, he approached the state Economic Development Authority (EDA), providing it with the same documents he was supplying to the banks. The EDA agreed to lend \$100,000 on top of City National's \$282,000 and to guarantee 25 percent of the bank's loan.

## A Firm Grasp Of The Business

Why would a banker risk \$282,000 on a recent immigrant with a small store in an



*This story is part of a continuing series on ways that small companies can locate the financing they need to run their businesses.*



inner-city neighborhood? Two reasons, answers Milton K. Farrow, a City National assistant vice president who serves as Dada's loan officer: the company itself, and the individual.

"I fell in love with what he was attempting to do," says Farrow, who had visited the store after Dada made his loan application. Farrow then took Prezeau and another bank officer to see the operation. They agreed with Dada that if he could expand his space, "the revenues would grow exponentially," says Farrow.

The bankers were also impressed by the work ethic that Dada displayed and by the fact that he had sold his goods at a variety of vendor fairs before he opened his small shop. That added to his track record.

The involvement of the EDA clinched the deal. Farrow said City National's loan to Dada, once concluded, would have made Dada a "very leveraged borrower," with a very high debt-to-equity ratio. The EDA's \$100,000 loan was for a much longer period and at a lower interest rate. From the bank's perspective, says Farrow, the EDA loan "became almost like owner's equity," making the bank more comfortable about the debt-to-equity ratio. In addition, the EDA agreed to take second place, after City National, on claiming assets if the loans went bad.

Since expanding into the larger space, Dada has added two stores—one in Woodbridge, N.J., and the other in Brooklyn, N.Y. The company now has 40 employees and \$1.7 million in annual sales. And City National has extended the firm a \$75,000 line of credit.

## Welcoming All

You don't have to be of Asian descent to apply for a loan at an Asian-owned bank or an African-American to apply at a black-owned bank. And you don't have to be a woman or a member of any minority group to apply for a loan at a minority- or women-owned bank.

Indeed, the Equal Credit Opportunity Act prohibits discrimination in lending, and the fact is that many minority bankers are eager for anybody's business. "We welcome any race or religion," says Louis E. Prezeau Sr., president and CEO of City National Bank of New Jersey, an African-American-owned bank in Newark. "Once you're creditworthy, we can do business with you."

To find the minority- or women-owned bank nearest you, contact the National Bankers Association at 1802 T Street, N.W., Washington, D.C. 20009; (202) 588-5432.

The bankers offer these tips for working with or getting a loan from a minority- or women-owned bank:

**Become a bank customer first.** Open a checking or savings account, and manage it well. Develop a good record as a customer. "Then, when it comes time that you need that loan, you're already established at the bank rather than coming in cold," says the NBA's Foggie.

**Have a preliminary visit with a loan officer.** You can talk about the plan you have in mind and get advice. Prezeau says his bank will refer clients to sources of help for writing a business plan or even to other sources of funding.

**Put together a thorough business plan.** Farrow recommends including not only the most up-to-date financial statements but also projections for as long as three or four years. "You're attempting to prove to someone that you understand the industry, that you understand your product, that you understand the company, and that you understand the repayment source," he says.

**Expect the loan officer to visit your business.** Banks such as City National cater to lower-middle-market borrowers, whose annual revenues range from about \$200,000 to \$10 million. Lenders can't get information on these businesses through services such as Dun & Bradstreet, as they can for larger companies, says Farrow. "You definitely have to go out to see them."

Says Dada: "Some banks just look at the application on paper and make a decision without really understanding what you're doing. They could easily make a wrong decision."

**Understand your business.** "Mr. Dada knew this business inside out," says Farrow. Dada took Farrow to see the empty bank building he wanted to buy and described in detail how it would look when he turned it into a store. "If you go inside that business today," says Farrow, "it is exactly the way that he explained it was going to be." More important, says Farrow, "he actually increased the sales the way that he said he could."

**B**y funding Dada, City National took a step toward meeting its goal of community development. Farrow says that since Tunde Dada House of Africa expanded its Orange location, other stores have opened nearby in once-abandoned buildings, primarily because of Dada's success.

"The entire bank," he says, "is proud of the relationship."

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# Riding Into The Sunrise

By Michael Barrier

**H**ugh O'Brian won lasting fame by starring in the television series "The Life and Legend of Wyatt Earp," which began in 1955 and ran for seven years. But his real life's work began when he went to Africa in 1958 and spent nine days with Albert Schweitzer.

As his visit to the great medical missionary drew to a close and he prepared to depart in a canoe, O'Brian recalls, Schweitzer "took my hand in his and said, 'What are you going to do with this?'"

It was Schweitzer's way, O'Brian believes, of challenging him to do something meaningful with his life, as Schweitzer had done with his.

"He really made me think about a lot of things," O'Brian says.

Show business was not O'Brian's natural habitat; he had planned to be a lawyer, then stumbled into acting almost by accident.

O'Brian had decided to visit Schweitzer at the instigation of his friend Norman Cousins, then the editor of the prestigious *Saturday Review of Literature*.

After he had pondered Schweitzer's challenge, O'Brian decided he wanted to work with teenagers—high-school sophomores, kids on the brink of adulthood. He realized, he says, that most of what he retained from his youth grew out of encounters with people with whom he had spoken in person and who could answer his questions. So, he says, he decided to give the teenagers "a forum in which they could ask questions of people who are on the firing line today in business,

government, education, and the professions. Questions about what's out there and how they can be a part of it."

About three weeks after he returned to California, he was working with his first

*Actor Hugh O'Brian is helping young people look into the future—and see the best in business.*

ant, and a [talent] agent if they would be a part of this," he says. "There were no formal topics. I just asked if they would give me a couple of hours and talk about whatever they wanted to talk about."



Millions remember Hugh O'Brian as TV's Wyatt Earp—"brave, courageous, and bold." He now devotes his efforts to a foundation for teenagers.

group of young people. He found his teenage participants with the help of churches and organizations such as the Boy Scouts, and he recruited adult speakers from among his own circle of acquaintances.

"I asked my attorney, my doctor, a couple of educators I knew, my account-

**A**t first an organization aimed at young men in Los Angeles, the Hugh O'Brian Youth Foundation (known as HOBY) has been national in scope since 1968. It has been open to young women since 1972.

HOBY has 58 independently incorporated affiliates in all 50 states and three foreign countries. Supported largely by corporations and corporation-affiliated foundations, and to a lesser extent by investment income, HOBY and its affiliates spend more than \$4 million annually on their programs.

This spring, 14,000 outstanding sophomores who have been nominated by as many high schools will attend three- or four-day HOBY leadership seminars at 92 locations in the United States, Mexico, and Canada.

The idea in this annual program is to put the sophomores together with people who are leaders in the adult world and to promote intensive discussion, much of it in small groups, of what is involved in successful leadership. The students often tour local businesses, too.

The cream of these sophomores—one boy and one girl from each seminar—attend HOBY's weeklong World Leadership Congress, held each summer; last year's was coordinated by Rice Univer-



sity in Houston. The 1997 congress will be held in Indianapolis, under the auspices of Purdue University. Organized since 1968 around the theme of "The United States in the World Community," the congresses embrace daylong sessions not just on leadership but also on other broad topics, such as space, technology, entrepreneurship, and the cultures of other countries.

**H**OBY's programs, fueled by donations and the efforts of more than 4,000 volunteers, entail no costs to the schools, the students, or their parents. And the programs are carried out, O'Brian emphasizes, without "one damn penny" from any government source. "It's a private-sector initiative," he says, "and I'm very proud of that."

Among the many business leaders serving on HOBY's board is Thomas W. Wathen, an entrepreneur who built a small company called California Plant Protection into a security-industry powerhouse that ultimately bought the famed Pinkerton firm; he is now chairman of Pinkerton

Security and Investigation Services in Encino, Calif. "Training that's given to students to encourage their leadership skills is

says, "and of the economic system of our country, so it's very natural that we support business. But I do think that business could do a better job of reaching out into the community, and we try to make that possible."

When business people write to him, he says, he tells them how to get in touch with local HOBY representatives—and he encourages them to think about doing more than giving money. He wants them "to think about being on a panel" and to invite student participants to visit their businesses.

There are many worthwhile organizations that businesses can get involved with, O'Brian says, "but the great thing about HOBY is that we're not a disease. The patient lives a long time, and that to me makes it a great place to put bucks."

**This leadership program for teenagers is  
"a private-sector initiative, and I'm very  
proud of that."**

—Actor Hugh O'Brian,  
Founder, Hugh O'Brian  
Youth Foundation



PHOTO: J. MICHAEL KELZA

going to benefit all of us in the long run, as employers and as citizens," Wathen says. "It's amazing how many thousands of youngsters HOBY has been able to touch over the years."

O'Brian is not in the least disturbed when someone accuses HOBY of being "pro-business." "We're in favor of growth," he

### For More Information

You can contact the Hugh O'Brian Youth Foundation at 10880 Wilshire Blvd., Suite 2121, Los Angeles, Calif. 90024; (310) 474-4370.

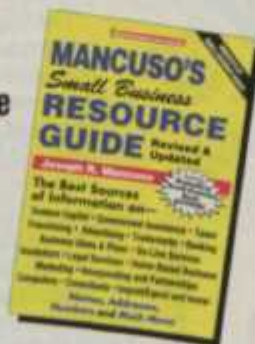
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# Free-Spirited Enterprise

By Michael Barrier

## Burning Candles At Both Ends

When Jody and Norma Copeland went into business a few years ago, they worked out of their home at first. Their enterprise became two businesses that have since graduated to their own quarters, but each still has a curiously homelike feeling.

Visit the small plant on the outskirts of North Little Rock, Ark., where Jody makes scented candles under the Copco Candles brand, and you may think of a kitchen. A man's kitchen, specifically (if that doesn't sound hopelessly sexist), the melted-paraffin equivalent of what some suburban kitchens look like on a Saturday afternoon after dad has mixed up some of his famous chili.

Travel a few miles south across the Arkansas River to the University Mall in Little Rock, where Jody's wife, Norma, sells Copco's candles (and candle-related accessories) from a 600-square-foot store called Flickering Flames, and you get a totally different impression: All is elegance and impeccability. It's like stepping from the kitchen into the living room.

The two Copeland enterprises—Copco and Flickering Flames are separate corporations, with Jody as Copco's president and Norma as Flickering Flames—are not yet big money-makers, but they had combined revenues last year of around \$1 million.

Jody says that Copco now has about 500 wholesale customers "all over the country," even though he hasn't yet made an

aggressive effort to expand its customer base. In 1997, he says, "we think

we'll really make some money for the first time."

The strongest selling point for Copco's candles is the way they smell. "There are lots of people who make scented candles," Jody says, "but ours are so strong that they actually work. There are probably not three or four [other manufacturers] in the country that make them as strong as we do."

The reason is cost; the more scented oil you use, the stronger the candle's scent, and the higher the manufacturing cost. "Two-thirds of the cost of my candle is scented oil," Jody says, and Copco's candles—which range in size from tiny votives to 6-inch-tall, 16-pointed stars—are correspondingly more expensive than many competing candles (up to about \$32 for the largest). But it's that additional scent, he believes, that builds repeat business.

The fragrances—some are ready-made, such as peach and pomegranate, while others are Jody's own formulas, such as "Angel Mist"—cost Copco from \$500 to \$1,000 for a 25- or 40-pound can, with the price varying by fragrance. Copco candles are, besides, entirely handmade (the kitchen analogy really isn't much of a stretch). "Hand pouring gives you that personal touch," Jody says; he does much of it himself.

The Copelands, who are in their 40s, started as hobbyists. They were both in sales at the time, she in telemarketing, he in industrial equipment. What they had in mind originally, Jody says, was just a part-time source of income "that we could spend five or six hours a week with."

They bought candle molds at a hobby shop, a couple of stainless-steel pots, and crayons for

color; they ordered the scent in 2-ounce bottles from a hobby-supply house in Seattle. Jody figures their total initial investment was \$100. He melted the paraffin on his barbecue grill.

"We were doing craft shows, that type of thing," Jody says. "We had a lot of flower shops and gift shops that would come by the booth and ask to buy them wholesale."

The Copelands sold wholesale to 10 gift shops, as a test, and the results encouraged them to get into wholesaling on a large scale about three years ago.

Even though Copco and Flickering Flames are rapidly outgrowing their hobby origins, there's still something of the hobbyist in Norma's enjoyment of their product. "Me, I burn them all the time," she says. "I burn them from the time I get up in the morning until I go to bed at night. Even when I leave [the store], I go home and light up my candles."

## And If We Only Had Room...

...we'd tell you about the Mirage, the luxurious portable restroom that a company called Service Sanitation, Inc., of Gary, Ind., provided for the media at last summer's Democratic National Convention—a "plusher flusher," they call it, complete with marble sinks, piped-in sound, and other such accouterments.

The name Mirage is, of course, associated most often with a luxurious Las Vegas hotel that has an erupting volcano out front. Wait—do we see a connection there? No, no; forget we said it.





\*Only the reprints indicated are available in color.



## MANAGING

# Bringing New Firms Out Of Their Shell

By Dale Buss

*Two decades after their inception, business incubators continue to help start-ups succeed.*

**D**avid Young, whose company manufactures bases for ceramic shower floors, likes having a spot in the Denver Enterprise Center because it enables him to expand his operation virtually hassle-free and at low cost.

For Yolanda Cross, locating in a new business incubator in Milwaukee provided the chance to move her catering-related business from her home into a more professional setting, where it has flourished.

And for Dan Bornholdt, president and co-owner of Green Suites International Inc., a berth in a Thousand Oaks, Calif., incubator for environmentally oriented businesses offers the inspiration of being around other striving small-company owners.

"It's a big, lonely world out there if you're an entrepreneur," says Bornholdt, whose company provides "green" products and services to hotels and motels. "It's nice to hear someone high-fiving it down the hall if they've just gotten a big sale. It inspires you to do your best, too."

True to their name, business incubators, which arose nearly two decades ago as a mechanism for cultivating start-up companies during their infancy, are continuing to nurture new firms throughout the country.

In fact, the more than 800 incubators now operating have become a significant segment of America's small-business economy, and new ones are opening at the rate of about one a week, according to the National Business Incubation Association (NBIA), a trade organization in Athens, Ohio.

"We've hardly even come into our adolescence as an industry," says Dinah Adkins, executive director of the association. "We're seeing the interest in incubators continue to roll out and spread."

The reason: Incubators are fostering some of the newest members of the Ameri-

can economy in ways that no other entities do. The typical incubator bunches small and start-up businesses together on the same site, offering them below-market rent, flexibility to expand, shared office services such as telephone receptionists and fax machines, information resources, networking opportunities, and varying types of advice for running their businesses, ranging from

government agencies and, often, universities, utility companies, and other concerns that want to boost the viability of small businesses in a community or an industry.

Many of the first incubators, in the early 1980s, sprang up largely to sop up excess commercial real estate that had been abandoned during the recession of the mid- to late 1970s. But as the economic importance of small businesses grew and became more widely appreciated, the establishment of incubators became a goal in itself.

These days, sponsors tend to focus primarily on creating an effective operational philosophy for cultivating small companies, and real-estate considerations have become secondary.

**T**hree factors have been key to incubators' continuing success. One is that they have proved themselves as a development tool by effectively encouraging technology transfer, by helping to create jobs, and often by playing significant roles in the economic revitalization of entire communities.

In Michigan, for example, a new study shows that incubator tenants have become a significant source of new jobs and local spending. More than 80 percent become profitable within three years of entering an incubator, and more than 87 percent relocate in the same area once they leave, according to the study. It was done by the University of Michigan Business School in cooperation with the Michigan Business Incubator Association.

The study compared incubators' performance between 1990 and 1995 with findings of a similar report on the preceding five-year period. The results showed a 225 percent increase in jobs created per incubator and a 521 percent increase in revenues generated by incubator tenants.

"Rather than concentrating on just moving jobs from one place to another, incubators provide communities with a way to create new jobs for relatively low invest-



PHOTO: CHRIS BUCHANAN

The professional setting at a Milwaukee business incubator is helping Yolanda Cross grow her catering-related business.

topical seminars to legal and accounting assistance to one-on-one counseling.

Incubators work to convert "tenant" firms into "graduates" and often set limits of 18 months to five years on how long a new company can stay in the nest.

Nearly 90 percent of incubators are started and operated by not-for-profit alliances, which usually include local gov-



ments," says Lawrence Molnar, director of the university's Center for Economic Diversification and a co-author of the study.

A second major reason for incubators' continuing growth is that they have become nearly as diverse as America's small-business economy itself. Many incubators today house companies in specific industries. Universities have become major sponsors of high-tech incubators, and not-for-profit organizations have been opening an increasing number of incubators to nurture mom-and-pop firms run by low-income or minority owners.

About 36 percent of tenant firms now are service companies, according to the NBIA, while 27 percent engage in technology and research and development and 20 percent are light manufacturers.

The third and most important contributor to incubators' success is simply that they are offering what entrepreneurs are seeking. "With some of the resources necessary to get a business off the ground becoming more scarce, like capital, having a collaborative approach to pulling together some of the other resources is a real advantage," says Thomas Lyons, an associate professor of management and urban policy at the University of Louisville.

The Denver Enterprise Center's record is exemplary in that regard. A former Goodwill Industries facility in the heart of downtown, the 64,000-square-foot building was renovated with city and federal funds and has been open for nine years. Now about 94 percent full, the center has 22 tenants and has graduated 27 companies.

Young's company, Tile It Manufacturing Inc., now has twice the 2,500 square feet it occupied when it opened in January 1995. The \$1,525-a-month rent is just under market rates and includes heating and air conditioning, trash pickup, 24-hour security, use of a loading dock and freight elevator, and access to a business library.

#### A Wealth Of Resources

Electronic-bench technician Shawn Vaughn had a plan but knew "nothing about business," he says, when he started Convenience Electronics Corp. in a 3,500-square-foot space in the incubator three years ago. His firm rebuilds and repairs electronic

equipment such as cash registers for convenience stores.

Vaughn made maximum use of the center's training library, copier, fax machine, and other resources as well as its seminars on taxes and other matters. In addition, he received extensive counseling

years ago by a friend. She immediately leased 2,000 square feet. "This is a wonderful space, with lots of natural light, sort of like a loft, in a location that is close to everything," Altieri says.

Once she became a tenant, Altieri discovered other benefits. She eliminated hours of wasted time by using the incubator's copiers instead of running out to a copy shop a few times a week. Her fellow tenants include an accountant, who helped her incorporate, and the owner of a firm that makes rickshaw-type bicycles, with whom she now barbers for supplies.

"And if I have a problem with the design of a product, there are other people here in the design and machinery business, and I can brainstorm with them for free," Altieri says. "We're here to help each other out."

Networking also made the difference for Dataworks Inc., in Denver. "Everyone in the building had something to offer in terms of networking or supplying, and the relationships we built there are ones that we carry through to this day," says Don Drennan, managing partner. Dataworks, which designs and prints logbooks and planners for restaurants, left the center in 1993 with 17 employees and now has about 60.

Such intangibles have become the hallmarks of incubators. Indeed, the atmosphere often resembles that of a college dorm: many individuals, drawn together into a galvanizing new experience that can be overwhelming, relying on one another to survive—and forming bonds that endure.



At an incubator for the advanced-transportation industry, Joseph LaStella has high visibility for his firm's electric vehicles.

from staffers. Two years later, Vaughn's company had outgrown available incubator space, and now he has a 7,000-square-foot facility and six employees in nearby Wheat Ridge, Colo.

Donna Altieri's 10-year-old business, which manufactures soft cases for musical instruments, took off early in 1995 after she rented a 2,000-square-foot space at the center. Altieri Instrument Bags Inc.'s revenues have grown, its full-time work force has doubled to four, new products are in the pipeline, and Altieri is doing more marketing. "It has dramatically changed everything," she says. "I was stagnant for years in my basement. My business would have died if I hadn't moved in here."

Looking for room to expand, Altieri was referred to the Enterprise Center two

#### Helping Minority Firms

Nurturing is especially important at the growing number of incubators established for companies owned by low-income and minority entrepreneurs.

A few years ago, for instance, Donna DuBose Miller and her two children required food stamps in addition to the income she generated by operating DuBose Business Services—word processing, brochure mailing, and the like—out of her home in Philadelphia.

Then she met with Della Clark, president of the Philadelphia Enterprise Center. Clark paired her with a graphic artist to share the \$100-a-month rent for a space in the incubator, coached her in marketing and other business basics, and allowed DuBose Miller to give word-processing



## MANAGING

assignments to the center's receptionist.

Now in her second year as a tenant, DuBose Miller already has expanded her revenues and hired a part-time employee in addition to her two daughters. She has put welfare behind her and now sends one of the girls to a private school. "I took a gigantic leap of faith by going into the center," she says, "but it has paid off."

Clark, whose operation houses about 30 small, black-owned firms in about 7,000 square feet, says, "We look at our business as an entrepreneur accelerator." She makes business matches among her tenants and creates outside sales opportunities for them by serving on local boards of directors and fostering other contacts. "We encourage networking, bartering, and interaction because if you have those things in place, you can run an incubator anywhere," she says.

Because of its success, the Philadelphia center—funded by various government agencies, private corporations, and foundations—has been renovating, and this spring it will move into a building with 36,000 square feet—room for about 130 companies.

#### Specialized Facilities

Specialized or single-purpose facilities draw many tenants. Joseph LaStella moved his

company, Battery Automated Transportation International, from Salt Lake City to Burbank, Calif., in 1994 to become one of the charter tenants of Project Hatchery, an incubator housed in a high-ceilinged old airplane factory. The incubator is part of a program called Calstart, which is devoted to nurturing an advanced-transportation industry in California.

A machine shop for making prototypes was one big attraction of Calstart for LaStella, whose 16-employee company manufactures electric vehicles. "I also won some respectability by moving here because people from all over the world are coming here to see what's happening in transportation," he says.

Indeed, the Burbank facility has grown to 26 tenants and spawned another Calstart incubator, in Alameda, Calif.

Similarly, the 13 tenants of the Thousand Oaks Environmental Business Cluster have become a vortex of green-business activity since the incubator opened last fall with

**"It has dramatically changed everything. . . . My business would have died if I hadn't moved in here."**

—Instrument-bag maker  
and incubator tenant  
Donna Altieri

funding from a variety of public and private organizations. It offers below-market, month-to-month rent, two-year tenancy, a home page on the Internet's World Wide Web, videoconferencing rooms, and even a shared kitchen.

But Robert Harris is glad just to be around other entrepreneurs who are developing environmentally friendly companies. "We're making connections," says the president of Bio-Enhancement Technologies Inc., which

grows a soil-conditioning fungus. "It's drawing people to our product, and that's why we're there."

High-tech incubators sponsored by universities are among the most successful centers dedicated to a specialty. For example, in Troy, N.Y., an incubator operated by Rensselaer Polytechnic Institute has hatched dozens of companies since it was founded in 1980. The center's goals are to harness university-developed technologies and provide a living laboratory for students. Its benefits include access to the university's libraries and other campus resources, hiring assistance, and a high-speed computer and telecommunications network.

"We had almost everything at our disposal," said Jason Moy, treasurer of Precision Valve & Automation Inc., a Latham, N.Y., firm that makes adhesive-dispensing systems for automotive and other manufacturers. "The resources helped us grow so fast that we had to move out." Precision's work force has quadrupled in the past two years, to 32 people, and the company was on its way to revenues of \$6 million, Moy said.

**B**y maximizing the physical, educational, and relational benefits of the new specialty center for minority women that she entered last year, Yolanda Cross has shifted her Milwaukee firm, Yo's Catering Accommodation Services, into high gear. She has built a production kitchen at the incubator, added a service that trains chefs' assistants and waiters for restaurants, and opened a second operation 100 miles away, near Madison.

"Being here gave me legitimacy, and it gave me the chance to learn about the politics of business life before I really fell into it," says Cross. "If I hadn't been here to learn from the staff and other business owners, I would have been so overwhelmed" that the company might not have survived.

## Get Thee To A Hatchery?

Could a business incubator be the right home for your small company? For information about incubators in your area, call the National Business Incubation Association (NBIA) at (614) 550-4331. You can also call your local chamber of commerce, colleges, or your state's commerce department.

If you're seriously considering the option, bone up on the following factors, as recommended by the NBIA and other sources:

**Know your basic needs.** Does the incubator meet them? Find out how charges for space and services at your nearby incubator compare with market rates in your locale.

**How long can you remain a tenant?** Don't necessarily think small. "You'll grow faster than you realize once you're out of your basement and into a building like this," says Donna Altieri, a tenant of the Denver Enterprise Center.

**Look for connections.** Ask around and find out if local business people know about the incubator—and vice versa. Try to determine whether the incubator has the full backing of sponsoring organizations and what those groups' own goals are.

**Expect to be examined.** You probably won't be the only one doing the sizing up. Most incubators have rigorous application procedures. The Philadelphia Enterprise

Center assesses your technical skills, entrepreneurial aptitude, financial savvy, and even your "emotional stability," says Della Clark, president of the center. The Rensselaer Polytechnic Institute program is among the many incubators that require a written business plan before they'll consider admission.

**They aren't for everyone.** Retailers, for instance, shouldn't locate in an incubator. No matter what your business, your "subsidized" location might carry a stigma in the eyes of some clients. And if you like maximum privacy or require extreme confidentiality, think twice. "Sometimes faxes for different companies are sitting there for a while," says Glenn Doell, director of the Rensselaer program, so mixed-up or purloined transmissions are possible.

**Financing is a nice extra.** Start-up financing, or assistance in obtaining it, is part of the arsenal of a growing number of incubators. "Forty or 50 percent of our client companies need gap financing that they can't secure from a local financial institution," says Kevin Clingman, director of the Omaha Business & Technology Center. He says some other incubators also are beginning to offer capital to clients in exchange for small equity stakes.



## FINANCE

# Real Numbers Don't Deceive

By Linda Elkins

**F**ailure to master the basics of financial projections can sink a business in short order. John Reith has seen it happen.

Reith, vice president of NationsBank in Prince Frederick, Md., recalls the experience of a successful electrical contractor who leaped at an opportunity to expand into mechanical contracting—plumbing, piping, and duct work. The firm won bids for mechanical contracts without first doing adequate research on its own prospective costs.

Only much later did the company discover that its costs for materials, labor, and fees were much higher than it had expected.

Because the firm had no projections to use for comparison, the problem wasn't discovered until over a year after the firm had bid on the project, says Reith. "They were a seat-of-the-pants business with no formal accounting control to see on an interim basis how they were doing. They knew things were getting tight, but they didn't know why."

The company's accountant spotted the problem while preparing the firm's tax return. Total revenue had jumped remarkably, but profit margins had grown thinner and thinner.

With the accountant's help, the company's owner discovered that the electrical-contracting part of the business was doing well, but the mechanical-contracting half was draining the business dry.

"But it was too late," says Reith. "Eventually the business had to close. Had they done their projections to begin with, they would have seen what was happening."

Clearly, financial projections are not just a management frill. They are at the heart of managing well. Informed business decisions are dependent on cost estimates and other projections that enable a business owner to see his or her company in its entirety. Whether a company is a start-up or an ongoing business, financial projections are key to successful management. They provide an important test of feasibility for new firms and give existing businesses a chance to spot problems and make corrections before it's too late.

In the end, the projections forecast

the most crucial measure of a firm's survivability: its bottom line.

All business owners need to be familiar with the three basic accounting documents that form the basis of financial projections: the income statement, the cash-flow statement, and the balance sheet.

Although you don't need to master the means of doing all three, you do need to know how they differ and what the numbers mean in operating your business.

## The Income Statement

This document, also called the profit-and-loss (P&L) statement, shows if you are selling at a profit. It begins with sales and then subtracts expenses—including overhead, depreciation, and taxes—and ends with the profit or the loss. This is the best means of testing the profitability of your business.

If you have an ongoing business but don't have an income statement, you can put one together. Collect your financial records for the past three years and put them into a standard and workable format if they are not already in such a state. These figures provide the data you will need for your projections.

If your company is a start-up, begin with the sales projections. Build your projections quantitatively from clear assump-

*At the heart of effective managing are three financial tools that can disclose the true condition of your company.*

tions about your marketing and pricing plans. Don't be vague; don't guess. Spell out the kinds of marketing you plan to do; for example, state how many customers you expect to attract, and calculate a projected average sale per customer.

In general, business people are too optimistic in making their sales projections; don't do any stretching to reach your numbers. Be factual and conservative.

Beware of the "hockey-stick" problem, where your actual sales numbers are flat or rising slightly, like the blade of a hockey stick, and your sales projections take off to the skies like a hockey stick's handle. Such projections are always suspect, and only the most astonishing facts about changes in your business or market can justify a sudden, rocketlike performance.

After making sales projections, move on to calculating direct and fixed expenses. And consider whether either will change over time and what factors will lead to such changes.

For manufacturing companies, direct expenses (also called variable expenses, or costs of goods sold) rise or fall with the level of production. In theory, if there is no output, there should be no direct expenses.

The definition of direct expenses depends on the industry. A T-shirt maker, for example, would include fabric, thread, and dye in direct expenses. For a car manufacturer, such costs would include steel and glass; in a medical practice, they would include diagnostic materials. In a law firm, direct expenses would include phone charges on behalf of clients.

Fixed expenses, also called operating or indirect expenses, are those that are present regardless of the level of production. They typically include rent, utilities, and owners' salaries.

Make sure you include each and every expense, including one-time expenses; once-a-year expenses, such as bonuses; all applicable taxes; and a complete breakdown of marketing expenses. When you have listed every expense, subtract the total from your sales to get your profit or loss for the period.

Developing an income statement for a product-driven company is more straightforward than for a service company. Sales projections for service firms are more difficult to calculate. One ap-





## FINANCE

proach to projecting such sales is to tally current client billing and project new-client acquisitions based on past performance. Then subtract overhead, taxes, and any applicable depreciation to arrive at profit or loss.

### The Cash-Flow Statement

This is the statement that shows if you have money in the bank. It measures the actual inflow and outflow of money through your accounts, like a sophisticated checking-account balancer. It becomes your de facto budget, telling you how much you have available to spend.

Thus, your cash-flow statement is your most important financial-management tool. A company may show a profit on the income statement but have no money in the bank.

"One of our clients was a small builder, a one-man operation with subcontractors doing the work," says Michael P. Ferron, an accountant in Rochester, N.Y. "He had three or four houses going up at one time and didn't project his cash flow."

"He figured with draws and closings on his houses he could always keep current, but there was a dry period between closings, and his creditors forced him to file for bankruptcy. This could easily have been avoided by projecting accurately to begin with."

Begin your cash-flow statement with the money you have in the bank at the start of the period. Then add money coming in from all sources, and subtract all money that is or will be going out during the period. You then have the amount of cash on hand at the end of the period. If that number is negative, you don't have enough cash to meet your obligations.

In calculating cash flow, you need to make crucial assumptions about how soon your customers will pay you, how much bad debt to expect, and how soon you will pay your creditors. These numbers greatly affect the amount of cash you have on hand to run the business day to day.

Perhaps your clients are slow to pay, and that lag alone may cause your profitable company to go out of business because there is no cash to fulfill obligations.

If you are more lenient with your customers' payment schedules than your creditors are with yours, you'll be required to pay out funds that you haven't yet collected from your own sales.

Fear of a cash shortfall is the most compelling reason to create projections. Running out of cash is one of the most common ways for a small business to fail.

In fact, even a company that shows a profit on the income statement can run out of cash and collapse, says J. Tol

Broome, a loan administrator for Centura Bank in Greensboro, N.C., and a frequent contributor to *Nation's Business* on financial topics.

"If the company is growing at a brisk pace," Broome says, "it has to expand its base of receivables and inventory to accommodate sales growth. It's common to see a business with 20 percent growth and a 3 to 4 percent profit margin run out of cash because it can't fund the sales growth internally."

### The Balance Sheet

This is the snapshot view of the general health of your business, a picture of your company at a given moment. The balance



sheet weighs your assets against your liabilities—what you own against what you owe. The difference between the assets and the liabilities is the net worth—the value of the owner's equity.

Assets and liabilities are listed in the order of their immediacy. Assets that are cash or are closest to cash should be listed first; and assets that are not liquid, such as buildings, go last.

Similarly, liabilities that are payable now or soon are listed before those not due until later.

The balance sheet "balances" when the sum of all assets equals the sum of all liabilities.

Of all the numbers displayed on a balance sheet, working capital is the most important. It shows the difference between current assets, which typically are in the form of cash, and current liabilities, those bills due in the near future.

The balance sheet is the best method for determining how your business compares with firms in the same line of work. You

would have to supply it to prospective lenders if you applied for a loan and to prospective buyers if you put your business up for sale.

Once you have assembled all three documents—income statement, cash-flow statement, and balance sheet—you have the financial tools to make projections.

Where is your profit margin heading?

Will you need a line of credit?

When and for how much?

How much is the firm's net value (the difference between assets and liabilities) expected to increase over the next five years?

Be certain to document your reasoning behind each projection in a written list of assumptions. Without such assumptions, no one reading your numbers will be able to make sense of them.

More important, when you compare your projections with your actual results, only your assumptions will enable you to understand the differences. And there will be differences.

This process will help you to be a better manager and make more accurate projections in the future.

Says loan officer Broome: "If you project a 20 percent growth but historical growth has been 5 percent, and you can't explain it, then the projections are probably meaningless."

When projecting sales and expenses, it is helpful to use industry-specific comparative data to guide your calculations. One good source of such data is the *Annual Statement Studies* published by Robert Morris Associates, a Philadelphia-based national association of bank loan officers. Each year the association compiles averaged financial statements from companies of various sizes in many different industries.

Your projections would be suspect immediately if your profit margins or expenses were significantly higher or lower than average figures reported by companies in your industry that are similar to yours in revenues or number of employees. Usually a new business cannot expect to exceed the industry average in sales or profit margins.

After you have prepared them—your cash-flow statement, income statement, and balance sheet—check them against your projections at least once a month, and modify your projections as needed. No other tools will make you a better manager faster.

And the effort typically pays off.

Linda Elkins, a former business-plan writer, is a free-lance writer in Hollywood, Md.



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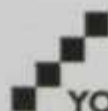
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# Family Business

*The complexities of father-and-son relationships; taking charge of the future.*

## OBSERVATIONS

### Taking Things Personally

By Sharon Nelton

People kept talking about Edward P. Monte's remarks on fathers and sons at a recent conference of the Family Firm Institute in Philadelphia. I had attended a different session, so I got a printed version of his presentation to see what the buzz was all about.

Monte is a Marlton, N.J., psychotherapist and family-business consultant. His message to families in business is: You must address family issues carefully and head-on.

"The success or failure of a family business often depends on whether a family is willing and able to deal with the personal issues involved," says Monte, who has focused much of his attention on the relationship between adult children and their "same-gendered parent"—that is, fathers and sons, and mothers and daughters.

In a family business, he says, "fathers and sons seem to be the pair most entrenched in their problems." Fathers often say that working with their sons is "strictly business," Monte notes, and sons, he says, try "to buy in to this myth."

"In an attempt to bypass all the messy feelings that could get in the way of a good

business relationship," he says, "father and son implicitly contract to avoid facing the very issues that could ultimately bring their business to its knees."

But to succeed fully, Monte says, a family business must be taken personally. "That means addressing the complex emotional issues that are intrinsically a part of the father-son relationship."

Monte observes that family businesses are most often run by men who find their greatest worth "in what they produce, the money they earn, and the battles they win." They are frequently away from home, and they are often unaware of, or unwilling to share a full range of, feelings. As a result, Monte says, "fathers and sons often fail to know and trust each other."

These fathers have difficulty mentoring their sons because they themselves have never been mentored by their fathers. But a son needs the approval and mentoring of the father to be an adult.

This becomes more complicated in a family business when your boss is also your father, says Monte. "Sons must deal with their feelings of manhood directly

with the one person who holds the key to that status."

The drama is intensified by succession, with all the issues of a son surpassing his father or a father's incapacitation or death. All too often, says Monte, such emotional issues "are buried under conflict over the future direction of the business, management styles, reorganizations, and even superficial issues such as redecoration of offices—anything that will help father and son avoid reckoning with the intensely personal issues of their relationship."

But it's love between fathers and sons that makes many family businesses thrive, he says. "Sons go into business to, in some way, become their fathers. Fathers offer to their sons the one thing that usually most defines who they are—the business."

The trick, says Monte, "is to get them to sit down and actually talk to each other about the meaning of all of it."

An audiotape of Monte's remarks is available for \$16 from Cambridge Transcriptions, 675 Massachusetts Ave., Cambridge, Mass. 02139; 1-800-850-5258.



PHOTO: T. MICHAEL REED

## PLANNING

### Estate Planning Really Does Pay

By Thomas E. Kaplan and Craig E. Aronoff

An elderly gentleman approached us at a recent family-business seminar. "All this stuff you're telling us about succession and family meetings and having independent directors is well and good," he said. "But what difference does it make? When I die, the government will want cash, and that will wreck all I've worked so long to build. Why don't we get to the real problem and get the government to repeal estate taxes?"

While our sympathies were certainly with this distraught fellow, we began to ask some questions. We weren't surprised when we learned that he knew little about estate-tax planning and had accomplished less. He

had a will but had not made significant gifts to family members, a method that individuals can use to reduce estate taxes. He couldn't afford to, he explained, because his business was all he had to live on.

When we asked why he hadn't been more involved in estate-tax planning, his answer was clear: "Those guys who keep trying to get me to do estate planning just want to sell me insurance."

Too many family-business owners find themselves in the bitter situation of the man at the seminar. That's why we at Kennesaw State University decided to take an in-depth look at what estate taxes do to



Thomas E. Kaplan, left, is a research fellow at Kennesaw State University's Family Enterprise Center in Kennesaw, Ga. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State University and is a family-business consultant. Copyright © by the Family Business Consulting Group, Inc., Marietta, Ga.



## FAMILY BUSINESS

family businesses and what family businesses can do about it.

## A Survey's Findings

We recently commissioned the Gallup Organization to interview nearly 1,000 family-business owners about estate taxes. We learned a lot about how estate taxes remove incentives for owners to expand their businesses, which reduces job growth and hurts the economy. We also learned a lot about how business owners can cope with burdensome estate and gift taxes.

The good news: Estate planning pays big dividends, but you must start planning early and be prepared to spend considerable time on the effort.

Our research showed that those who have spent a significant amount of time developing their estate plans with advisers and family members incur less planning expense than do family-business owners with less-effective estate plans. They have more life insurance for more cash to pay estate taxes when the taxes come due, but they have paid a lower per-unit cost for their insurance.

Perhaps even more important, they feel more confident about the future of their businesses and their families. They are less concerned about the impact of estate taxes on business survival, growth, and jobs.

## Those At Greater Risk

The study showed that in family businesses characterized by estate-tax planning focused on tax minimization, as opposed to family firms with less-effective tax planning, more family members were involved in the business and in ownership and more generations were involved in the business.

Our research suggests that the higher the proportion of total wealth tied up in the business, the more the owner is likely to pay for estate planning and the greater the estate-tax obligations will be. These families are less optimistic about their future and more concerned about their firms' growth and survival and about needing to liquidate part or all of their businesses when estate taxes come due.

The most effective estate-planning strate-

gies remove ownership in the family business from the senior generation or provide assets other than family-business ownership to family elders. The research indicates that families in business for several generations, as well as families with large estates, seem to have learned to move more of the family's wealth out of the business.

Our data show that although family-business owners who start early with a tax-minimization strategy can enjoy considerable success in achieving family and business goals, many are ill-prepared for their estate-tax liabilities.

Eighty-six percent of the family-business owners surveyed said they have done estate planning beyond a basic will. But 70 percent of all surveyed could not estimate their estate-tax liabilities, and 43 percent could not estimate their business's market value.

While those with less-effective estate plans have spent less time on estate planning, they pay more to financial planners, pay higher per-unit costs for life insurance, and have more concerns about their future business prospects.

The typical business in our study had about \$15 million in sales and around 80 employees. The average

family-business owner in the study had spent more than \$118,000 on accountants, financial planners, attorneys, and life-insurance premiums specifically related to planning for and paying estate taxes.

## Get Good Advice Early

Advice about estate-tax planning that we draw from our research confirms common practice: Clarify your family's goals and commitments. You should be actively engaged in estate planning by age 45; you may want to begin as early as 30.

Work toward becoming financially independent from your business. Make gifts of family-business stock early and often. Be sure to get good estate-planning advice from professionals experienced in the specific issues faced by family businesses.

Family-business owners who tackle these issues early and well free themselves to focus confidently on developing their businesses and families for the future.



ILLUSTRATION: TROY THOMAS

## MARK YOUR CALENDAR



## March 3, Stamford, Conn.

"Explaining the Differences Between Individuals" is the subject of a meeting that uses a psychological tool known as the Myers-Briggs Type Indicator to help attendees assess the impact of their personality on their family business. To be repeated March 4 in Farmington, Conn. Call the University of Connecticut Family Business Program; (860) 486-4483.

## March 7-9, Tucson, Ariz.

"Women in Family Business" is a conference that will look at issues such as understanding your impact on the family team and what you need to know as an owner. It will be conducted by family-business author and consultant Leslie Dashew. Call the Human Side of Enterprise at (404) 252-7113.

## March 8, Cupertino, Calif.

"Inside the Family Business" is a half-day workshop aimed at helping attendees understand the structure and dynamics of and boundaries between family and business relationships. Call De Anza College Community Service Short Courses at (408) 864-8966.

## March 12, Eau Claire, Wis.

The "Family Business Conference '97" features nationally known family-business educators and consultants Craig E. Aronoff and John L. Ward. Jake Leinenkugel will reflect on what it's like to be the fifth-generation head of his family's brewery. Call the University of Wisconsin-Eau Claire College of Business; (715) 836-5509.

## March 19, Pittsburgh

"Working With Family Members: Common Challenges and Proven Solutions" is the topic of a program featuring family-business educator Cindy Iannarelli. Call 1-800-672-4639.

## April 9, West Springfield, Mass.

"Succession as Structural Change: Working With Sibling Teams and Cousin Systems" is a program featuring organizational psychologist Ivan Lansberg. Call Ira Bryck, director of the University of Massachusetts Family Business Center; (413) 545-1537.

## How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.



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# Small Business Financial Adviser

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## The Wired World Of Investment Information

By Randy Myers

When Chris Winter wanted to check out profitability trends for a high-technology company whose stock had dropped precipitously in March 1996, he didn't call his broker.

Instead, he logged on to the Internet and got the information he needed in a matter of minutes.

The San Jose, Calif., investor then placed a quick phone call to his broker, bought the stock at \$32 a share, and earned a 28 percent profit in a matter of several weeks.

For as long as people have invested in financial markets, small investors like Winter have labored at a disadvantage to institutional investors and other Wall Street pros, who can pay large sums to keep vast amounts of raw data and research at their fingertips. But thanks to the growth of the Internet, that disparity is quickly disappearing.

To be sure, surfing the World Wide Web for investment information can be maddeningly slow and frustrating, especially if you're not sure where to look. Even fast conventional modems—those that send and receive data at up to 33.6 kilobits per second—aren't fast enough to navigate the information superhighway in high gear. Yet the volume of information available there and its dispersion among hundreds of locations make speed essential.

If you learn your way around, though, you'll find that getting investment information on line can be far faster and remarkably more rewarding than you might have imagined just a few years ago.

If you have access to the Internet, you can now—for free—use your computer to:

- Check quotes on stocks, bonds,

mutual funds, and stock-market indexes.

- Check the status of financial markets worldwide.

- View charts that show how a security or index has performed over the past year.

- Get a description of the company your brother-in-law recommended to you at dinner last weekend.

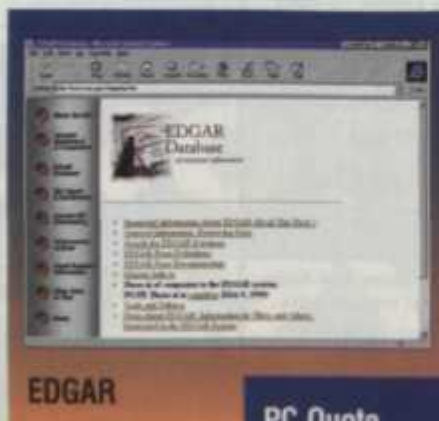
- Find out how many Wall Street analysts are recommending purchase of that company's stock.

- Review the company's financial statements for the past three years and any documents it has filed with the Securities and Exchange Commission (SEC).

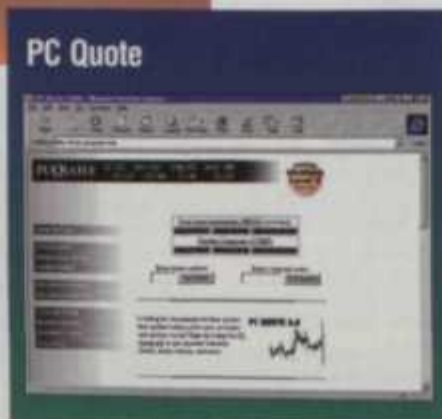
- Find out what Wall Street expects the company to earn this year and next year.

- Read what financial pundits, including some of Wall Street's top economists, expect the business climate to be like this year.

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and services to the public (or to attract paying advertisers), companies, universities, and other organizations have been creating data-rich Internet wonderlands at a dizzying pace over the past few years.

"There are tons of sites," says Marcee

### Bloomberg Personal



Yager, a certified financial planner with Alderwood Consulting Group in Belmont, Calif. "The biggest dilemma is figuring out how to winnow them down to a manageable number."

Fortunately, that task is getting easier all the time. Software such as Microsoft Internet Explorer and Netscape Navigator allows you to point and click your way through the World Wide Web using your computer's mouse.

Search engines and Web directories such as Alta Vista and Yahoo help you find what you want by seeking information based on key words or phrases that you have specified.

And researchers at Ohio State University and elsewhere have created impressive lists of investment sites on the World Wide Web that can serve as great starting points.

But even those lists can be daunting to first-time surfers, so we've compiled our own list of favorites—investment-oriented Web sites that would be helpful for any serious investor. What's more, they're free except where noted.

### Stock And Mutual-Fund Financial Reports

For a thorough financial history of a company or mutual fund, or to view a prospectus, there's no more complete source than EDGAR, a Web site established by the SEC. Quarterly 10-Q and annual 10-K financial reports and other mandatory filings from public companies are posted on EDGAR within 24 hours after they are



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submitted to the SEC, as are prospectuses issued by public companies and mutual funds.

If you don't want to consume ink and paper printing out those reports (a single 10-K can easily run 60 or more pages), consider tapping into the home page of the New York Stock Exchange, which provides links to the Web sites of many companies listed on the Big Board. At most of those sites you can request that the company's annual reports and other financial documents be mailed to you.

### Mutual-Fund Reports

A mutual-fund prospectus provides critical information about how that fund invests your money and what it will charge to do so.

But for unbiased information about a fund and a detailed but easy-to-read statistical profile of its operations, check out Morningstar Mutual Funds on Demand. It's provided by one of the world's leading fund-research companies, Morningstar Inc. Reports cost \$5 each.

Also note that many of the country's largest fund companies, including Fidelity Investments and Vanguard Group, have their own sites on the Web, where they have posted fund data and useful financial-planning information.

### Stock Quotations

The Web is a rich source of stock quotations, but some Internet sites do a better job of providing quotes than others, typically by supplementing them with a wealth of additional information.

Stockmaster provides not only current quotes (with a 20-minute delay) but also a graphical chart for each stock, showing how the stock has performed over the past year and how its performance compares with the Standard & Poor's 500-stock index, a common benchmark. The chart shows at a glance whether the stock is trending higher or lower and where its current price stands in relation to its 52-week high and low.

Elsewhere, PC Quote includes ancillary information with its stock quotes, such as the time of the last sale, the per-share earnings of the company that issued the stock, the stock's price-to-earnings ratio (a common valuation measure), and links to relevant news headlines from Reuters and press-release wires.

### Earnings Estimates

Corporate earnings drive stock prices, so Wall Street devotes enormous amounts of

time to forecasting what companies will earn. When companies exceed or fall short of those estimates, their stocks often make dramatic moves up or down.

Consequently, it's worth knowing what Wall Street expects.

You can get such information by accessing the Web site of Zacks Investment Research, which polls analysts and publishes the results.

Punch in a stock symbol and you get a free, one-page report indicating how many analysts are recommending the stock and their consensus earnings estimates for the current quarter, for this year, and for next year. You'll also see the company's per-share earnings for the previous quarter and the percentage by which that number exceeded or fell short of analysts' forecasts.

### Business And Financial News

Many Web sites boast business and financial news, but few deliver it more thoroughly or in a more elegant format than Bloomberg Personal. There you can quickly find updates for markets around the world as well as the day's hottest business and financial stories.

Much of this material is the same information that Bloomberg sells to Wall Street brokerage firms and institutional

money managers who lease electronic Bloomberg terminals—which feature still more information and analytical features—for thousands of dollars per year.

Rivalling Bloomberg Personal in scope and ease of use—and surpassing it in some areas—is The Wall Street Journal Interactive site, which includes the text of the world's premier financial newspaper and updates from Dow Jones financial news wires.

Another popular feature of the site is Briefing Books, which provides easy-to-read financial overviews of public companies, with stock charts.

The interactive edition of *The Wall Street Journal* is \$49 per year for those who do not subscribe to the print edition of the newspaper and \$29 a year for those who do. But as financial planner Yager points out, \$49 is still a lot less than the \$175 cost of an annual subscription to the print version.

### Economic Data

Edward Yardeni is the well-known chief economist for Deutsche Morgan Grenfell, an investment bank in New York City. But he's destined to become even better known thanks to his remarkably useful, easy-to-navigate Web site, Dr. Ed Yardeni's Economics Network. There you can view charts of interest rates and other economic data as well as Yardeni's forecasts for dozens of economic indicators.

In addition, the site includes many of

## Guide To Financial Site-Seeing

Here are the Internet addresses for the investment sites mentioned in this article.

### Bloomberg Personal

[www.bloomberg.com](http://www.bloomberg.com)

### EDGAR

[www.sec.gov/edgarhp.htm](http://www.sec.gov/edgarhp.htm)

### Investor Insight

[www.intuit.com/investorinsight](http://www.intuit.com/investorinsight)

### Morningstar Mutual Funds on Demand

[www.investools.com/cgi-bin/Library/msmf.pl](http://www.investools.com/cgi-bin/Library/msmf.pl)

### New York Stock Exchange

[nyse.com](http://nyse.com)

### PC Quote

[www.pcquote.com](http://www.pcquote.com)

### Research

[www.researchmag.com](http://www.researchmag.com)

### Stockmaster

[www.stockmaster.com](http://www.stockmaster.com)

### The Financial Data Finder, Ohio State University

[www.cob.ohio-state.edu/\\$0/dept/fin/overview.htm](http://www.cob.ohio-state.edu/$0/dept/fin/overview.htm)

### The Motley Fool

[www.fool.web.aol](http://www.fool.web.aol)

### The Wall Street Journal Interactive

[wsj.com](http://wsj.com)

### Dr. Ed Yardeni's Economics Network

[www.webcom.com/yardeni/economic.html](http://www.webcom.com/yardeni/economic.html)

### Zacks Investment Research

[www.zacks.com/docs/free.html](http://www.zacks.com/docs/free.html)





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Yardeni's recent reports on the economy.

### On-Line Services

If you access the Internet via America Online (AOL) or CompuServe, the two most popular commercial on-line services, be sure to check out their business and financial sections, too.

AOL offers business and financial news from *Business Week* and Dow Jones & Co., access to the popular Motley Fool investment site (which can also be found on the Web), earnings estimates from First Call (a unit of Thomson Financial), stock reports from Morningstar Inc., and corporate financial statements filed with the SEC.

CompuServe serves up news from Reuters as well as *Forbes*, *Fortune*, and *Money* magazines; a stock database that can be screened by various financial measures; investor chat forums; and quick access, for additional charges, to Magazine Database Plus and Business Database Plus, two vast databases of magazines.

**B**eyond the information packaged with on-line services and on the dozens of free Web sites, you can find sites that will provide additional information and services for a fee.

Thousands of users of Intuit Inc.'s popular Quicken software tap into the company's Investor Insight site—for fees ranging from \$9.95 to \$19.95 a month—to download stock quotes and customized reports of financial news and information, for example. Others retrieve research reports from Standard & Poor's via another site, Research. The cost is \$275 for up to 60 reports per year.

You can visit sites that specialize in specific sectors of the financial markets. When Angela Alaimo wants to evaluate the prospects for the oil-drilling stocks in her portfolio, for example, she doesn't wait for her local newspaper to run a story about trends in energy prices. Instead, the Shenorock, N.Y., investor taps into Oil Online ([www.oilonline.com](http://www.oilonline.com)) to find out whether the number of oil-drilling rigs is going up or down.

"The Internet has become a tremendous resource for investors," says Robert Levitt, a certified financial planner with Evensky, Brown, Katz & Levitt in Boca Raton, Fla. He starts his workday by tapping into Bloomberg Personal for an update on international market activity. "I'm on it all day long."

Start browsing through the Internet's vast resources, and you, too, might find yourself becoming an Internet junkie. ■

Randy Myers is a financial writer in Dover, Pa.

### TAXES

## After The Game, Claim A Deduction

If you play by the rules, you can take a client to a basketball game, for example, deduct up to half of the cost, and keep Uncle Sam safely on the sidelines.

Sports tickets usually fall under the "meals and entertainment" tax rules, which limit your deduction to 50 percent of your actual cost. So if you use two \$50 tickets to take a client to see a basketball game, your tax deduction would be \$50. The math is simple. It's the paperwork that causes the problems.

"Document, document, document," says Harry Cohen, a partner with Stonefield Josephson, an accounting firm in San Francisco. "The problem is people don't write down what business was discussed before or after the game."

In order to deduct 50 percent of the tickets' face value plus the costs of food and beverages, you must have a written record of the amount of the expense, including receipts, as well as the time and place of the entertainment, the nature of the business that was discussed, and the business relationship between you and the person who was entertained.

### No Scalpers' Fees

Note that deductions are based on face value, says Cohen. You can't use a higher price paid to a scalper or even a ticket broker. Consequently, if the face value of two tickets is \$80 but you pay \$160 for a sold-out playoff game, you are limited to a cost of \$80, which becomes a \$40 tax deduction.

To be safe, you should maintain an entertainment log that you update the day of each event.

Some businesses have tried—and failed—to deduct the full price of tickets as an "advertising" expense. If it's a ticket, it's entertainment.

If you want to deduct the full cost of tickets, however, there is a perfectly legal way to do so: Hand over the tickets to clients and prospects as gifts. Bear in mind, though, that tax rules limit your deduction for gifts to \$25 per recipient per year.

In addition, the gift deduction can be claimed only if you do not attend the event with your client.

Moreover, you have to maintain records on gifts, similar to the documentation required for entertainment expenses.

If you do attend with the client, you can claim only the entertainment deduction.

### The View From On High

Tickets are one thing, but sky boxes are in a class by themselves. If you rent a sky box for just one event, you can use the face value of the sky-box tickets—subject to the 50 percent limitation. If, however, you rent a sky box for a series of games, then you are subject to the sky-box rules.

Even though sky-box tickets are purchased at face value, the tax laws limit the deductible cost—before the 50 percent limitation—to the highest-priced ticket not in a sky box for each event.

Bruce Belman, a partner with Cohen & Co., an accounting firm in Cleveland, says companies with sky boxes must do an event-by-event analysis of tickets to determine the tax cost of a sky-box ticket. "The Gund Arena here in Cleveland must get a lot of requests," says Belman, "because they immediately faxed me a breakdown of ticket prices by event for a client with a sky box."

Sky-box events aren't limited to sports. The Gund Arena, for example, hosts more than 100 other events throughout the year, ranging from classical-music concerts to professional wrestling. Ticket prices range from \$10 to

\$215, says Kathy Burns of the Gund Arena's accounting department.

Tickets to college sports events are subject to the same rules on gift and entertainment expenses that apply to professional teams. Some universities, however, require fans to pay a fee to join a booster club before they can purchase football or basketball tickets. "You used to be able to deduct the club fee," says Cohen, "but the Internal Revenue Service closed the loop."

Whether you're into sports, opera, or other activities, if you have a client who shares your interest, Uncle Sam will help you pick up the tab if you take the time to document names, dates, places, and the business you discuss before, during, or after the event.

—Gloria Gibbs Marullo

The author is a CPA and a business writer in South Bend, Ind.





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## PAYROLL SERVICES

## Don't Get Stuck With Back Taxes

Quality Waste Control, a refuse and recycling firm in Burnsville, Minn., recently had to cut costs and postpone pay increases even though it's a profitable, growing business.

The company unexpectedly found itself pinched for cash through no fault of its own. It was hit with a \$100,000 bill for back taxes after its payroll-service provider went bankrupt. The bankruptcy left Quality Waste Control's federal and state payroll taxes unpaid for one quarter even though the money had been withheld from employees' checks.

Most payroll-service companies conscientiously and competently manage their clients' payrolls. But if things go wrong for the payroll firm, its client companies can be saddled with heavy expenses. The client's taxes are ultimately the client's responsibility, not the payroll firm's. That's why it's essential

that business owners exercise due diligence when engaging a payroll-service provider.

Jim Warner, a partner with the Minneapolis-based accounting firm of Boulay, Heutmaker, Zibell & Co., says that before you contract with a payroll-service provider, you should explore matters such as these:

How experienced are the payroll firm's key personnel? How often does staff turn over? Does the firm carry errors-and-omissions insurance to protect clients in the event taxes are not paid? Has such a claim ever been filed by a client?

Does the payroll firm provide the client with proof that the client's tax payments have been made? This is essential, says Mike Trulson, vice president and an owner of Quality Waste Control. "Insist on verifiable

proof, such as a canceled check or bank statement, showing that taxes have been paid."

Also, it is wise to ask about the payroll-service firm's experience with tax agencies, says Anthony F. Martin, a principal

with the Coopers & Lybrand accounting and consulting firm. Ask what problems the payroll firm has encountered and how it has resolved these issues with federal and state tax authorities.

In addition to questions about the payroll firm's track record in paying taxes, there are other technical issues to raise. For example, make sure that the payroll firm's computer system can link with yours so that payroll data can flow automatically into other areas of the accounting system. Also, can the payroll firm provide electronic bank deposit of employees' paychecks?

You should consider your future needs as well, advises Gene Polisseni, vice president of marketing at Paychex, a national provider of payroll processing based in Rochester, N.Y. "You have to size up what you think your needs are going to be for some period of time going forward," he says, "and make sure that the company you've chosen is going to be able to provide you that type of service."

Clearly, turning over your payroll operations to an outside provider requires that you ask the right questions in advance in order to avoid having to pay for others' mistakes later.

—Karen Kroll

*The author is a free-lance writer in Minnetonka, Minn.*



## HEALTH CARE

## Travel 'Insurance' In Two \$60 Shots

Public-health doctors are urging business travelers, especially those planning trips to underdeveloped countries, to avail themselves of a new vaccine that offers almost 100 percent protection against hepatitis A, a disabling liver disease.

Although each shot—the initial vaccination and a booster—costs about \$60, it's a far smaller expense than the overall costs of the illness it prevents. Returning travelers infected with hepatitis A can be knocked out of work for a month or more with symptoms that can include jaundice, rashes, deep fatigue, nausea, vomiting, aching bones, and liver pain.

"It's a remarkably effective and safe vaccine," says Dr. William Schaffner, chairman of the department of preventive medicine at the Vanderbilt School of Medicine in Nashville, Tenn. "You should get the vaccination at least two weeks before your trip," he says, "and then get a booster shot six months later. This should protect you against the disease almost indefinitely."

You can get immunized at clinics that specialize in travel medicine or by your own doctor.

The national Centers for Disease Control and Prevention (CDC) in Atlanta estimates that each year about 150,000 Americans get hepatitis A. The disease is transmitted through drinking water and food that have been contaminated with fecal matter containing the virus.

The high-risk areas for travelers, according to the CDC, are Latin America (including Mexico and some Caribbean areas), Africa, the Middle East, Eastern Europe, and Southeast Asia.



"Travelers really need this vaccine," says Dr. David A. Sack, professor of international health at the Johns Hopkins University School of Hygiene and Public Health in Baltimore. "It's almost impossible to protect yourself against hepatitis A by being careful with what you eat and drink."

Sack adds that even if you're protected against hepatitis A, you should always be careful of what you eat and drink because there are other disabling diseases you can get while traveling abroad. "One of the most problematic," he says, "is traveler's diarrhea, which can be disastrous for business travelers who have lined up a series of important meeting dates."

Both Sack and Schaffner advise business travelers to take a prophylactic dose of antibiotics a couple of days before embarking and to continue taking one dose a day during the trip.

"If you protect yourself with one of these antibiotics," says Schaffner, "it can reduce your risk of getting traveler's diarrhea by 80 percent."

—Peter Weaver

*The author is a free-lance writer in Bethesda, Md.*



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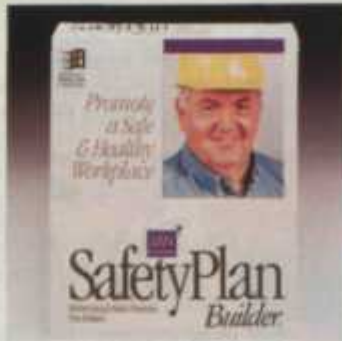
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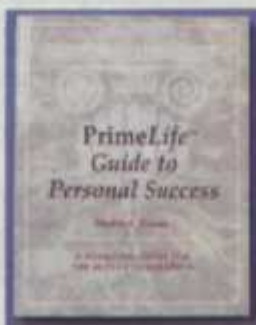
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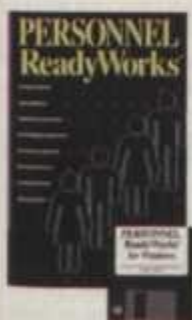
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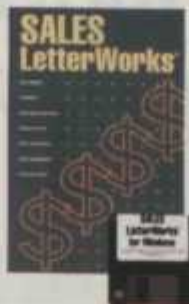
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# Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Stephen Blakely

## INTERNATIONAL TRADE

### Making A Run For The Border

I manufacture and distribute sports-related casual apparel. I would like to sell my products in Mexico and South America. How can I reach wholesalers and distributors in those areas? Where can I get information on exporting to Mexico?

K.U., Los Angeles

Mexico is America's third-largest trading partner, behind Canada and Japan. But the bulk of U.S. manufactured exports to Mexico are automotive and electronics parts, not apparel. U.S. Census Bureau statistics from January through October 1996 show virtually no trade between the two countries in sweat suits, for example, and although U.S.-Mexican trade in T-shirts during that period amounted to \$73 million, most of it consisted of imports from Mexico.

To start researching the export business,



check your local library for Dun & Bradstreet's annual *Exporters' Encyclopedia*. It has a lot of practical advice on exporting to almost any country. The chapter on Mexico includes licensing and documentation rules, sample trading forms, export-information resources, mailing and shipping data, and key contacts. Be sure to read the section on the North American Free Trade Agreement, which is now the framework for doing business in Mexico.

In your area of the country, other sources of help include the Los Angeles Area

Chamber of Commerce, which runs the L.A. Trade Export Assistance Program (213-580-7528), and California's Office of Export Development in Long Beach (310-590-5965).

The state office runs trade missions, helps with trade shows in Mexico, and tries to hook up California firms with Mexican

businesses such as wholesalers and retailers. The Los Angeles Chamber's home page on the Internet is at [www.tradeport.org](http://www.tradeport.org).

The U.S. Department of Commerce's Trade Information Center can fax you free information on exporting to various countries. Call toll-free 1-800-USA-TRADE (1-800-872-8723) and follow the voice directions to find help on Mexico and Latin America. You can also transfer to an export-promotion specialist on those areas. Or you can visit the Commerce Department's World Wide Web site at [www.ita.doc.gov](http://www.ita.doc.gov) to find much of the same information.

## GETTING STARTED

### Diving In

I live in a resort area that has a 40,000-acre lake surrounded by several planned communities. I am a certified scuba diver and would like to start a scuba shop; there are no scuba shops in the area.

Can you advise me on certification requirements for such a business and on how to set it up and manage it?

S.B., Fairfield Bay, Ark.

Scuba diving is largely a self-regulated sport because of "a pretty good safety record and the industry policing itself," says Jim Estabrook, executive director of the Scuba Retailers Association in Somerville, Mass.; (617) 623-7722.

There are no federal regulations for scuba shops, he says, but there are some state regulations in areas where the sport is popular, such as California, Florida, and the Northeast.

Rules for dive-shop operators generally focus on the air compressors that fill scuba

tanks and on licenses to teach customers how to dive safely.

"Instruction is the lifeblood of the business," Estabrook notes. Underwater pressure can be deadly if it is not understood or not handled properly. Outside the Caribbean, where some resorts provide only a half-day of scuba instruction, the typical scuba shop requires novice customers to take at least two days of training before they're ready to dive.

To become a state-certified scuba instructor, a person must pass a professional diving program. Among the major training facilities in the United States are Scuba Schools International in Fort Collins, Colo.; the Professional Association of Diving Instructors in Santa Ana, Calif.; the National Association of Underwater Instructors in Montclair, Calif.; the National Association of Scuba Diving Stores in Memphis, Tenn.; and the YMCA's scuba center in Norcross, Ga.

Estabrook warns that it isn't easy to stay afloat in the diving business. Specialized equipment and training can be expensive, and annual liability-insurance premiums

run about \$3,500 per outlet and \$500 per employee.

The market is limited. Diving is popular mostly where it's warm and the water is clear, and it appeals mainly to the young and athletic.

So for a shop to succeed, it has to develop a clientele of trained customers and find ways to keep them active locally in the sport.

## HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Or transmit your question to our CompuServe address: 76436.1735. Be sure to include your address and telephone number.

Because of the high volume of letters, we can answer only those that are chosen for publication.

Questions may be condensed, and writers will be identified only by initials and city.



## ADVERTISING

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I own an outdoor-advertising business involving roadside billboards. I would like to line up some national-brand products made by beverage or tobacco companies, among others, to advertise on our signs. How can I reach these potential customers?  
G.J., Jasper, Ala.

Kippy Burns, spokesman for the Outdoor Advertising Association of America (OAAA) in Washington, D.C., says there are two major directories used by national advertising agencies and advertisers to find potential outlets: *Buyer's Guide to Outdoor Advertising*, published by Competitive Media Reporting in New York City (1-800-562-3282), and the *Out-of-Home Advertising Source*, published by SRDS, Inc., in Des Plaines, Ill. (1-800-851-7737).

These annual directories list potential outlets by name, type, location, and media market. Besides getting your company in



the directory, you can also take out an ad to increase your company's visibility.

The OAAA recommends standards for outdoor display structures, disseminates information on the outdoor-advertising medium, and tracks federal legislative and regulatory actions that affect its members. You can call the organization at (202) 833-5566.

Another way to reach potential advertisers is to list your company with one of the many national or regional buying

services, which broker outdoor-media sales. A major one in your area is Wilkins Outdoor Network in Atlanta; (770) 804-1818.

Another industry organization is the Eight Sheet Outdoor Advertising Association in Bremerton, Wash.; 1-800-874-3387. (Generally, "eight-sheet" billboards, measuring 6 by 12 feet, are used in urban areas; 12-by-25 billboards, called "30-sheet," are found along secondary roads; and 14-by-48 "bulletin" billboards are used along major rural highways.)

Whether your billboards will appeal to national advertisers depends partly on location: Are they along busy highways or other transit arteries?

Advertising experts add that landing a national account also depends on competition from other forms of "out-of-home" advertising, such as ads in bus shelters and subway stations, on taxis and buses, and in store windows.

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# January Poll Results Readers' Views

## Stay On Budget

**A**n overwhelming majority of respondents to a recent poll in *Nation's Business* said Congress and President Clinton should continue to work toward balancing the budget, shrinking the federal government, and spurring business investment.

Readers who responded to the Where I Stand poll in the January issue also strongly supported a balanced-budget amendment to the U.S. Constitution and a continued shift of programs from the federal level to states and localities, as welfare was shifted to the states last year.

The survey results come at a time when the Democratic president and the GOP-controlled Congress are poised to try to develop a multiyear plan to balance the budget through cutbacks in federal spending, a downsizing of the bureaucracy, and tighter reins on increases in entitlement programs.

The budget deficit hit \$107 billion in fis-

cal 1996, the lowest since the early 1980s, but it is expected to rise sharply unless spending policies are changed quickly. Also, the federal government has lost more than 250,000 workers over the past four years as agencies and departments have been downsized.

Over the past four years, however, there has been no significant action to rein in entitlement programs such as Social Security and Medicare, and these are expected to be the most difficult for the president and Congress to control.

Respondents expressed strong support for creation of a bipartisan commission to solve the funding problems of the Medicare program, which provides health care to 37 million elderly Americans. The Medicare trust fund is being drawn down now to pay for the program and is expected to be depleted soon after 2000.

Here are the complete results of the January poll:

### Questions And Answers

**Should Congress and the president continue their efforts to shrink the size of the federal government?**

Yes ..... 97%    Undecided ..... 1%

No ..... 2

**Should Congress and the president continue to shift responsibilities now handled by federal programs to the states, as they did with welfare in 1996?**

Yes ..... 89%    Undecided ..... 5%

No ..... 6

**Should Congress and the president agree on some kind of business and/or individual income-tax cut to boost economic growth?**

Yes ..... 85%    Undecided ..... 6%

No ..... 9

**Should the new Congress try again to adopt a balanced-budget amendment to the Constitution?**

Yes ..... 84%    Undecided ..... 6%

No ..... 10

**Would you support a bipartisan commission to work on solving Medicare's fiscal problems?**

Yes ..... 82%    Undecided ..... 6%

No ..... 12



# Where I Stand

## On The Internet



Many of the articles in this month's *Nation's Business* illustrate the Internet's usefulness and importance to small companies. Your answers to the following questions will help us determine to what extent readers are using this dynamic tool.

Results of this poll will appear in the May issue of *Nation's Business* and will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers and fax this page to (202) 463-5636.

### 1

**Do you use the Internet for business purposes?**

1. Yes
2. No, but I'm planning to do so
3. No, and I have no plans to do so

### 4

**If you use the Internet, what has been the major impact on your business?**

1. Increased productivity
2. Decreased productivity
3. Better communication with workers and/or customers
4. Legal problems
5. Improved marketing and sales
6. The impact is still unclear

### 2

**If not, what is your primary reason?**

1. It's too costly
2. It's too complex
3. I'm concerned about privacy and security
4. I lack the necessary equipment
5. I don't need it

### 5

**If you have a home page on the Internet, who designed it?**

1. I did
2. A company employee
3. An outside consultant

### 3

**If you are connected to the Internet, what company provides your connection?**

1. A commercial on-line service, such as America Online, CompuServe, the Microsoft Network, or Prodigy
2. A company that provides Internet connections only
3. A cable-TV company
4. A long-distance phone company
5. A local phone company

### 6

**If you do not have a home page, do you plan to have one within the next 12 months?**

1. Yes
2. No
3. Maybe

**Send Your Response Today!**



# Commentary

*The nation is vastly changed from the last time elected officials prepared to enter a new century.*

By Robert T. Gray

## Governing In A New Era

Among the growing number of signs that the next century is approaching is the fact that the terms of many elected officials now in office will last beyond the year 2000.

The new presidential term extends to January 2001. Two-thirds of the members of the Senate will serve into the new century. (Representatives in the Congress of 1999-2001 won't be elected until 1998.)

The historical significance of the status of the chief executive and members of Congress who will usher in the 21st century can be put into perspective by comparing the environment in which they will serve with that faced by their counterparts who presided over the arrival of the 20th century.

William McKinley was re-elected president in 1900 as voters endorsed his pledge of tariffs to protect U.S. businesses and jobs and his commitment to the gold standard as a way to fight inflation.

There was no income tax or payroll tax. The federal government's priorities were reflected in the seven Cabinet departments that made up the executive branch—State, Treasury, Navy, War, Interior, Agriculture, and Justice.

The transition from an agricultural to an industrial economy was still under way. The air and automotive ages were dawning. The motion-picture medium was in its infancy.

The U.S. victory in the Spanish-American War had given the nation its first overseas possessions and a sense that it was becoming a power in global affairs.

*Robert T. Gray retired in 1994 after 26 years with Nation's Business, 13 as editor*

Succeeding decades saw two world wars, sweeping social and cultural changes, a searing Depression, the Cold War, a new outlook on what constituted civil rights, U.S. emergence as the unchallenged global superpower (but one that must compete in a global economy), and technological advances that involved atomic power, space exploration, computers, television, communications, manufac-

(The War and Navy departments were combined as the Defense Department after World War II.)

Despite the vastly different circumstances between the emergence of the 20th century and the arrival of the 21st, there is a common denominator for the elected officials who greeted the former and those who will see the dawn of the latter. That denominator is the challenge of managing the inheritance that one era leaves to the next.

As the United States moves into the year 2000 and beyond, it will have to strengthen its ability to compete in the worldwide marketplace, a task whose ramifications include education, continuing technological progress, a strong domestic economy, and government policies that support, or at least do not hamper, the achievement of this basic economic goal.

An urgent responsibility of government will be reinvesting in those payments to individuals that, if not addressed in a fiscally sound manner, could wreak havoc on the national economy.

In preparing to grapple with the many challenges that will endure into, or arise early in, the new century, officials might first think about how they want that era defined.

Legendary publisher Henry R. Luce described the era now ending as "the American century." Some have suggested that the next one will be "the Pacific century" because of the growing economic clout of the nations, including the United States, that border that ocean.

But it might now be time to discard such regional competition and think of the next 100 years as the "century of opportunity"—for all nations and all peoples.

It's none too soon for the leaders we have selected to preside at its beginning to start thinking about how they will approach their historic assignment.

## A Century Of Change



76 million	Population	275 million
\$18.7 billion	Gross Domestic Product	\$8.9 trillion
29 million	Work Force	139 million
\$550 million	Annual Budget	\$1.7 trillion
\$2.1 billion	National Debt	\$6.1 trillion
None*	Revenue From Income Taxes	\$749 billion
8,000	Motor Vehicles Registered	205 million
5.5 million	Public-School Enrollment (K-12)	47.6 million
27,410	Bachelor's Degrees Awarded	1,191,000
47.3 years	Life Expectancy At Birth	77 years
22.9 years	Median Age	35.7 years
3 million	65+ Population	34 million

\*The U.S. Constitution was amended in 1913 to authorize the levying of an income tax.  
SOURCES: HISTORICAL TABLES, BUDGET OF THE U.S. GOVERNMENT, FISCAL YEAR 1997; AMERICAN AUTOMOBILE MANUFACTURERS ASSOCIATION; DATAPEX OF THE U.S., 1790-2000 (BERNARD PRESS, LANHAM, MD.); U.S. DEPARTMENT OF EDUCATION; HISTORICAL STATISTICS OF THE U.S., COLONIAL TIMES TO 1970; U.S. CENSUS BUREAU.

turing techniques, and medical care.

The growing role of government throughout the 20th century is seen not only from the increased federal budget—\$550 million in 1900 and a projected \$1.7 trillion in 2000—but also in the expansion of the president's Cabinet.

The very names of the departments added in this century reflect the extent to which the federal government has broadened its scope—Commerce, Labor, Health and Human Services, Housing and Urban Development, Transportation, Education, Energy, and Veterans Affairs.



# Editorial

## Unity In A Fragmented Report

The Advisory Council on Social Security appointed in 1994 was directed to address the critical issue of long-term funding. But after two years of work, the members reported they were "not able to agree on one single plan for dealing with Social Security's financial difficulties."

The panel had explored three approaches, but none commanded majority support. This inability to produce official recommendations dominated news accounts of the council's final report.

Those negative reactions ignored, however, the highly significant contribution that the council made to the forthcoming national debate on keeping Social Security solvent through the retirement years of the 75 million members of the baby-boom generation.

Most important, the council report has given new prominence to a concept that has long been at the margin of the Social Security debate—investment of Social Security funds in nongovernment holdings. While they disagreed sharply on details, all three of the council's factions made recommendations concerning private

investment that would produce a higher return than the 2.3 percent the U.S. Treasury pays on bonds purchased with Social Security surpluses.

The three factions produced proposals that they identified as the Maintenance of Benefits (MB) plan, the Individual Accounts (IA) plan, and the Personal Security Accounts (PSA) plan.

The MB plan suggests that about 40 percent of the Social Security trust funds be invested in stocks and that consideration also be given to investments that would

raise the return even further. Federal managers would make investment decisions.

Under the IA approach, workers would pay an additional 1.6 percent of applicable wages to fund retirement accounts. Investments would be limited to bond- and equity-index funds. Existing Social Security benefits would continue, and the combined regular and IA payments would equal those under Social Security alone.

The PSA plan would in effect replace the present Social Security system with a two-tier arrangement. One tier would provide a flat retirement benefit. The second would consist of personal security

accounts; individual owners would make investment decisions.

The present 12.4 percent Social Security tax (6.2 percent each for worker and employer) would continue, with 7.4 percent funding the Tier 1 benefits and 5 percent funding Tier 2.

Along with their investment recommendations, the proposals carry a wide range of suggestions on benefit levels, tax changes, age of retirement, and other revisions.

It is highly unlikely that any of the three plans as they now

stand would be accepted by Congress. There will be far more study, research, and debate not only on whether privatization is the right way to go but also on what form it should take if it's decided that it is.

The Advisory Council's report spotlights the potential role of private investments and shows the widely differing approaches possible within that broad concept. From that perspective, the council has made an early—and welcome—contribution to a better understanding of this vital issue of Social Security funding.



### Social Security Investments

How stock holdings that fund retirement payments could accumulate under alternative proposals for changes in the Social Security system. Totals are current dollars in billions and assume the historical 7 percent average annual real yield on stock holdings.

	Maintenance Of Benefits Plan	Individual Accounts Plan	Personal Security Accounts Plan
2000	\$ 26	\$ 89	\$ 276
2005	289	315	1,043
2010	939	666	2,300
2015	2,105	1,190	4,241
2020	3,160	1,958	7,124

SOURCE: REPORT OF THE ADVISORY COUNCIL ON SOCIAL SECURITY, JANUARY 1997



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*Or keep heading down the same road?*

*Will you go the next mile?*

*Or be content*

*to travel*

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# The Business Advocate

SUPPLEMENT TO **Nation's Business** MARCH 1997



Published By  
U.S. Chamber of Commerce



Sens. Orrin G. Hatch, R-Utah, left, and Patrick J. Leahy, D-Vt., question U.S. Chamber Vice President and Chief Economist Martin A. Regalia, inset, following his recent testimony on behalf of the Chamber in favor of a balanced-budget amendment to the Constitution.

## Chamber Urges Members To Call

**T**he U.S. Chamber of Commerce is urging its members to call their senators and representatives immediately to voice support for legislation that would amend the Constitution to require that annual federal budgets be balanced. At press time, the House and the

*Continued On Page 15A*

Congressional Voting  
Scorecard, Page 3A





## ■ Capitol Hill Agenda

# Business Bills Top Lists

The top priorities of the Republican leaders of the House and the Senate include several measures on the 1997-1998 National Business Agenda of the U.S. Chamber of Commerce.

Both houses of Congress, for example, have begun formulating a package of measures that would restrain spending by an amount sufficient to balance the federal budget by 2002 while providing some tax relief, including a reduction in the capital-gains tax and reform of the estate-tax law.

Achieving a balanced budget by 2002 is the Chamber's top legislative priority. (See the story below.)

The House and the Senate were expected to vote on a balanced-budget amendment to the Constitution in early March. The amendment would require the federal government's annual receipts to be at least as great as its yearly outlays unless a three-fifths majority of



Senate Majority Leader Trent Lott, R-Miss., left, discusses the GOP's agenda with Chamber President Richard L. Leshner.

Congress voted to waive the balanced-budget requirement and approve a specific amount of deficit spending.

Congressional approval of a balanced-budget amendment is also a high Chamber priority.

In addition to budget-related votes, Senate Republicans are expected to

schedule votes on Chamber-backed legislation that would:

- Allow employees who work overtime to choose between time-and-a-half pay and equivalent compensatory time off.

- Overhaul the nation's product-liability system and establish limits on punitive-damages awards.

- Revamp America's hazardous-waste-cleanup statute.

In a speech delivered in January to business leaders at the U.S. Chamber, Senate Majority Leader Trent Lott, R-Miss., reaffirmed that members of his party are committed to passing Chamber-supported reform of the tax, regulatory, and legal systems.

Lott said the Senate is also likely to consider measures to grant "fast-track" trade-negotiating authority to the president, expand the unfunded-mandates law to the private sector, and protect private-property rights. All three measures are on the Chamber's agenda.

At press time, House GOP leaders were still formulating an agenda. Several business-backed measures, including bills on product-liability reform, comp time, and regulatory reform, were expected to make their list.

President Clinton and Democrats in the House and the Senate are making education, health care, and campaign-finance reform their top priorities.

## ■ Publications

# Guide Outlines Priorities

A guide to the legislative and regulatory priorities of the U.S. Chamber of Commerce for the 105th Congress is available from the business federation.

The National Business Agenda guide lays out the details for 63 legislative and regulatory issues on which the Chamber will be active in 1997 and 1998. The agenda is based on a survey of Chamber members and input from the federation's policy committees and board of directors. The committees are made up of representatives of Chamber-member companies and organizations.

The agenda, says Chamber President Richard L. Leshner, "calls for policies that will help achieve a smaller, less in-



trusive federal government and trigger an explosion in jobs, wages, and business opportunities at home and abroad."

Balancing the budget is the Chamber's No. 1 priority, with tax, legal, regulatory, and entitlement reforms also high on the agenda.

To obtain a copy of the 1997-1998 National Business Agenda, call 1-800-638-

6582 (in Maryland, call 1-800-352-1450), or write U.S. Chamber of Commerce, Publications Fulfillment, 1615 H Street, N.W., Washington, D.C. 20062-2000. Ask for publication No. 0482. Copies cost \$7.50 for Chamber members and \$10 for nonmembers. Bulk-order discounts are available.

## ■ Internet

# Home Page Lists Services

The address for the U.S. Chamber of Commerce's new site on the Internet's World Wide Web is [www.uschamber.org](http://www.uschamber.org).

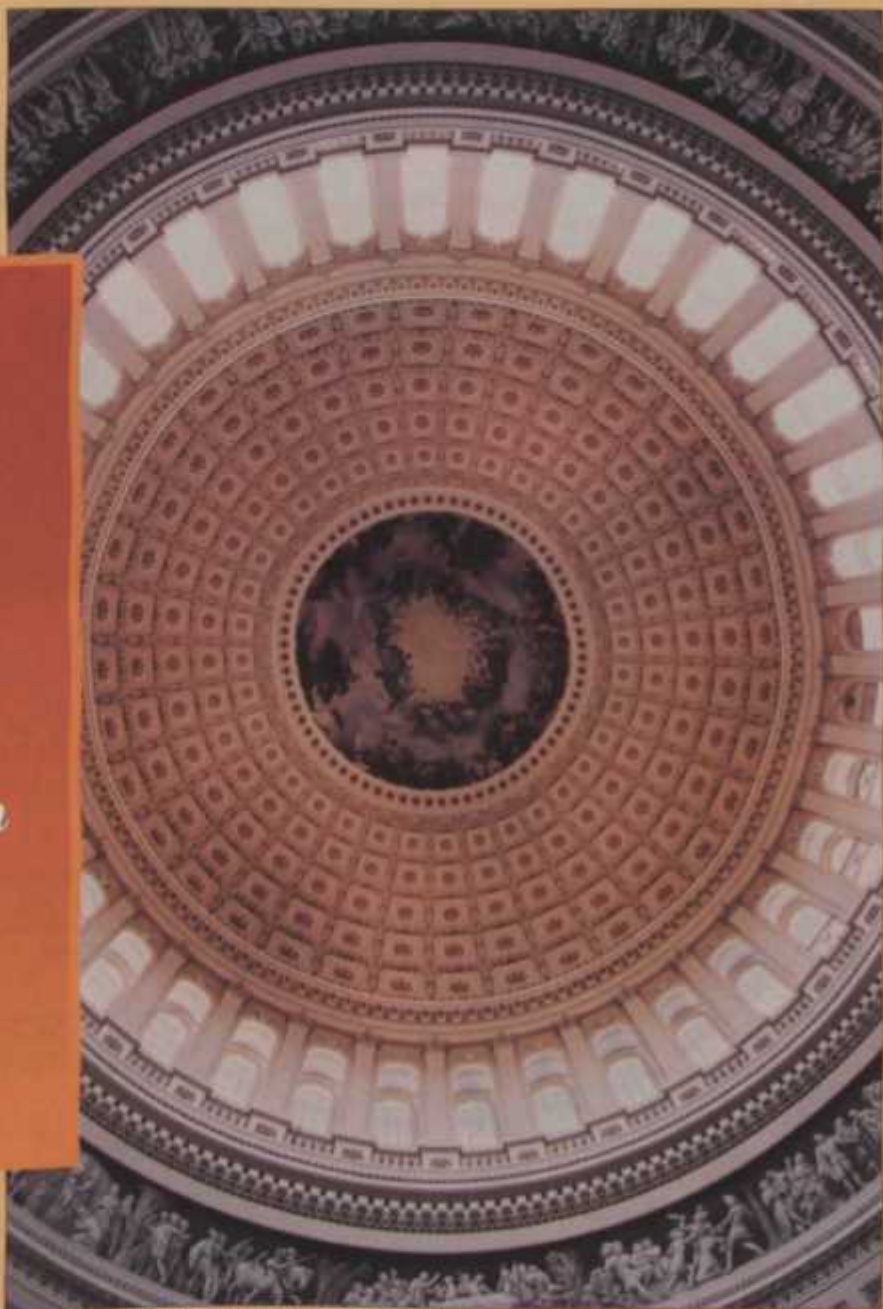
The Chamber home page includes information on Chamber activities, the organization's position on legislative issues, and details about the business federation's programs and services.

Chamber members can visit a "Members Only" section using their Chamber identification number to obtain more-detailed information about the organization's activities. (If you don't know your Chamber ID number, call the 800 number on the members-only page.)



# 1996 How THEY VOTED

*Second Session  
104th Congress*



The interior of the U.S. Capitol's dome is not photographed as often as its world-renowned exterior but is no less majestic.

**T**he U.S. Chamber of Commerce publishes "How They Voted" after each session of Congress. In this publication, the Chamber evaluates the support or opposition of each U.S. senator and representative on selected issues of interest to Chamber members.

During the 1996 session of the 104th Congress, 13 key Senate votes and 16 key House votes were chosen as a fair

representation of floor votes on issues important to the business community.

For a vote to be included in "How They Voted," it must meet three criteria. First, the vote must be a recorded floor vote. Second, the U.S. Chamber's board of directors must have a clear policy on the issue. And third, the Chamber must have communicated its position on the issue to Congress.

Each Senate and House vote used in

the ratings is described separately and identified by a number on the following pages, beginning with the Senate votes.

The numbers on the vote descriptions correspond to the numbers at the top of the columns of tabular information. The "Key To Symbols," on Page 4A, explains how to interpret the vote tables.

For more information, call the Chamber's Office of Congressional Affairs at (202) 463-5600.





## KEY TO SYMBOLS

- + "Right" vote, supporting the U.S. Chamber's position.
- "Wrong" vote, contrary to the U.S. Chamber's position.
- ? No recorded vote.
- P Voted "present."
- O Seat vacant on date of vote.

**100%** Percentage of correct votes out of total votes cast by that member on Chamber-selected issues during 1996, the second session of the 104th Congress.

**CUM%** Average of annual percentage of correct votes cast by that member on Chamber-selected issues since the Chamber

began rating members in 1965, or since that member's first year in Congress, through 1996.

*Note: The percentage calculations were made using only "+" and "-" votes. The "?," "P," and "O" votes were not included in the calculations.*

State	1	2	3	4	5	6	7	8	9	10	11	12	13	96 %	CUM %
<b>ALABAMA</b>															
HEFLIN (D)	+	+	-	-	+	-	-	+	-	-	-	+	+	46	55
SHELBY (R)	+	+	-	+	-	-	+	+	+	+	+	+	+	77	65
<b>ALASKA</b>															
MURKOWSKI (R)	+	+	+	+	+	-	+	+	+	+	+	+	+	92	63
STEVENS (R)	+	+	+	+	-	-	+	+	+	+	+	+	+	85	71
<b>ARIZONA</b>															
KYL (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	100	93
MCCAIN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	100	85
<b>ARKANSAS</b>															
BUMPERS (D)	-	+	-	-	-	-	-	-	?	-	-	-	+	17	30
PRYOR (D)	-	+	+	-	-	-	-	-	-	-	-	-	?	17	43
<b>CALIFORNIA</b>															
BOXER (D)	+	+	-	-	-	-	-	-	-	-	-	-	+	23	30
FEINSTEIN (D)	+	+	-	+	-	-	+	-	-	-	-	-	+	38	29
<b>COLORADO</b>															
BROWN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	100	90
CAMPBELL (R)	+	+	+	+	?	?	+	+	+	-	+	+	+	82	55
<b>CONNECTICUT</b>															
GODD (D)	-	+	+	-	+	+	-	-	-	-	-	-	+	38	27
LIEBERMAN (D)	+	+	+	+	+	-	-	-	-	-	-	+	+	54	37
<b>DELAWARE</b>															
BIDEN (D)	+	+	-	+	-	-	-	+	-	-	-	+	+	46	29
ROTH (R)	+	+	-	+	-	+	+	+	+	+	+	+	+	85	79

## SENATE VOTES

## 1. Farm Bill (S. 1541)

The Senate passed 64-32 a package of market-based, farm-related legislation. The measure reauthorizes through 2002 major federal farm programs and frees farmers to make planting decisions by ending the acreage-idling program, under which the U.S. Department of Agriculture determined which and how many acres should be planted each year.

The legislation also provides fixed payments on a seven-year declining schedule for farmers who had previously participated in federal crop programs. The fixed payments replace the so-called deficiency payments that were made to farmers when the market prices of certain crops fell below target prices established by the Agriculture Department. (The House passed similar legislation, and President Clinton signed the reconciled version into law.)

The Chamber supported the market-oriented reforms, which removed



State	1	2	3	4	5	6	7	8	9	10	11	12	13	'96 %	CUM %
<b>FLORIDA</b>															
GRAHAM (D)	+	+	-	+	-	-	+	+	-	-	-	-	+	46	34
MACK (R)	+	+	+	+	?	?	+	+	+	+	+	+	+	100	94
<b>GEORGIA</b>															
COVERDELL (R)	+	+	+	+	+	-	+	+	+	+	+	+	+	92	96
NUNN (D)	+	+	+	+	+	-	-	-	-	-	+	+	+	62	61
<b>HAWAII</b>															
AKAKA (D)	+	+	-	+	-	-	-	-	-	-	-	-	+	31	28
WOLFE (D)	+	+	-	-	+	-	-	-	-	-	-	?	+	33	25
<b>IDAHO</b>															
CRAIG (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	100	83
KEMPTHORNE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	100	83
<b>ILLINOIS</b>															
MOSELEY-BRAUN (D)	+	+	+	-	+	-	-	+	-	-	-	-	+	46	37
SIMON (D)	+	+	-	+	-	-	-	+	-	-	-	-	+	38	27
<b>INDIANA</b>															
COATS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	100	89
LUGAR (R)	+	+	+	+	-	-	+	+	+	+	+	+	+	85	86
<b>IOWA</b>															
GRASSLEY (R)	+	+	-	+	+	-	+	+	+	+	+	+	+	92	80
HARRIS (D)	-	+	-	+	-	-	-	-	-	-	-	-	+	38	21
<b>KANSAS</b>															
DOLE (R)	+	+	+	+	-	-	+	+	0	0	0	0	0	75	85
FRAHM (R)*	0	0	0	0	0	0	0	0	+	+	+	+	+	100	100
KASSEBAUM (R)	+	+	+	+	+	+	+	+	+	+	+	?	+	100	72
<b>KENTUCKY</b>															
FORD (D)	+	+	-	+	+	-	-	-	-	-	-	+	+	38	32
McCONNELL (R)	+	+	+	+	-	-	+	+	+	+	+	+	+	85	90
<b>LOUISIANA</b>															
BREAUX (D)	+	+	-	+	+	+	-	+	-	-	-	+	+	62	80
JOHNSTON (D)	+	+	-	-	+	+	-	-	-	-	-	+	+	54	63
<b>MAINE</b>															
COHEN (R)	-	+	-	-	+	+	+	+	?	+	+	+	+	75	58
SNOWE (R)	-	+	+	+	-	-	+	+	+	+	+	+	+	77	67
<b>MARYLAND</b>															
MIKULSKI (D)	-	+	-	-	+	-	-	-	-	-	-	-	+	23	26
SARBANES (D)	-	+	-	-	+	-	-	-	-	-	-	-	+	23	19
<b>MASSACHUSETTS</b>															
KENNEDY (D)	-	+	-	+	+	+	-	-	-	-	-	-	+	38	19
KERRY (D)	-	+	-	+	+	+	-	-	-	-	-	+	+	31	31
<b>MICHIGAN</b>															
ABRAHAM (R)	+	+	+	+	+	-	+	+	+	+	+	+	+	92	96
LEVIN (D)	+	+	-	-	-	-	-	-	-	-	-	+	+	23	23

\*Resigned. Date when he resigned to run for president.

Depression-era government mandates and controls on farmers while saving taxpayers a total of \$10 billion by 2002.

## 2. Regulatory Flexibility (S. 942)

The Senate passed 100-0 the Small Business Regulatory Enforcement Fairness Act, which strengthens the Regulatory Flexibility Act of 1980 by making it easier for small-business owners to challenge burdensome federal regulations. The measure also gives Congress authority to review major agency rules before they take effect.

The Regulatory Flexibility Act required federal regulatory agencies to examine a proposed rule's effect on small businesses and to rewrite it if it would have a significant adverse impact, but the statute lacked an enforcement provision. The new law empowers small firms to sue in federal court to ensure enforcement of the Regulatory Flexibility Act.

The new law also allows Congress to veto major regulations—those with an economic impact of more than \$100 million—within 60 legislative days after the final rules are proposed by federal agencies. (The House passed similar

legislation, and the president signed the reconciled version into law.)

The Chamber supported this step toward improving the federal regulatory system, whose compliance costs to U.S. businesses are estimated to total more than \$600 billion annually, with small firms bearing a disproportionate share of the burden.

## 3. Product-Liability Reform

The Senate passed 60-40 a motion to limit debate on the House-Senate compromise version of the Product Liability Fairness Act, which would have capped punitive damages in civil product-liability cases at the larger of \$250,000 or two times compensatory damages, with lower limits for small businesses. (It takes a three-fifths majority—60 votes—to limit debate in the Senate.)

The measure also would have made other significant changes in the product-liability system, such as eliminating joint and several liability for noneconomic damages. (The president vetoed the House-Senate compromise version of the product-liability-reform legislation.)

The Chamber supported this effort to reform the product-liability system and establish limits on punitive-damage awards. Such awards have increased 89 percent in the past 20 years, and the resulting higher costs of goods and services have been passed on to consumers. The overall costs top \$150 billion per year in legal assessments and liability insurance premiums.

## 4. Line-Item Veto (S. 4)

The Senate passed 69-31 the House-Senate compromise version of the Line-Item Veto Act, which grants the president authority until Jan. 1, 2005, to veto line items in appropriations bills, some tax breaks in revenue bills, and new entitlement spending. (As always, Congress can override a presidential veto by a two-thirds vote of both houses.)

The Chamber supported the measure, which was signed into law by the president, as a tool for achieving spending restraint and long-term deficit reduction.

## 5. Health-Insurance Benefit Caps

The Senate approved 56-42 a motion to table and thereby kill an amendment to the Health Insurance Reform Act that would have required lifetime benefit caps to be set no lower than \$10 million, higher than many current caps. (The House passed legislation similar to the Health Insurance Reform Act, and the



State	1	2	3	4	5	6	7	8	9	10	11	12	13	'96 %	CUM %
<b>MINNESOTA</b>															
GRAMS (R)	+	+	+	+	-	+	+	+	+	+	+	+	+	92	94
WELLSTONE (D)	-	+	+	+	-	-	+	-	-	-	-	-	+	31	19
<b>MISSISSIPPI</b>															
COCHRAN (R)	+	+	+	+	+	-	+	+	+	?	?	+	+	91	94
LOTT (R)	+	+	+	+	-	-	+	+	+	+	+	+	+	85	88
<b>MISSOURI</b>															
ASHCROFT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
BOND (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	100	99
<b>MONTANA</b>															
BAUCUS (D)	+	+	-	+	-	-	-	+	-	-	-	+	+	48	34
BURNS (R)	+	+	+	+	-	-	+	+	+	+	+	+	+	85	89
<b>NEBRASKA</b>															
EXON (D)	-	+	+	+	+	-	+	-	-	-	-	+	+	54	47
KERREY (D)	-	+	-	-	+	-	-	-	-	-	-	-	+	23	34
<b>NEVADA</b>															
BRYAN (D)	-	+	-	-	+	-	-	+	-	-	-	+	+	38	29
REID (D)	-	+	-	-	+	-	-	-	-	-	-	+	+	31	28
<b>NEW HAMPSHIRE</b>															
GREGG (R)	-	+	+	+	+	+	+	+	+	+	+	+	+	92	98
SMITH (R)	+	+	+	+	-	+	+	+	+	+	+	+	+	92	91
<b>NEW JERSEY</b>															
BRADLEY (D)	?	+	-	+	+	-	-	-	-	-	-	-	+	33	27
LAUTENBERG (D)	-	+	-	-	-	-	-	-	-	-	-	-	+	15	25
<b>NEW MEXICO</b>															
BINGAMAN (D)	-	+	-	-	-	-	-	-	-	-	-	-	+	15	35
DOMENICI (R)	?	+	+	+	-	-	+	+	+	+	+	+	+	83	79
<b>NEW YORK</b>															
D'AMATO (R)	+	+	-	+	-	-	+	+	+	+	+	+	+	69	67
MOYNIHAN (D)	+	+	-	-	+	-	-	-	-	-	-	-	+	31	28
<b>NORTH CAROLINA</b>															
FAIRCLOTH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	92	98
HELMS (R)	+	+	+	+	+	-	+	+	+	+	+	+	+	85	89
<b>NORTH DAKOTA</b>															
CONRAD (D)	-	+	-	-	-	-	-	-	-	-	-	+	+	23	31
DORGAN (D)	-	+	-	-	-	-	-	-	-	-	-	+	+	38	31
<b>OHIO</b>															
DEWINE (R)	+	+	+	+	-	-	+	+	+	+	+	+	+	85	82
GLENN (D)	-	+	+	-	-	-	-	-	-	-	-	-	+	23	33
<b>OKLAHOMA</b>															
WIDOFF (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91
NICKLES (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	100	90

president signed the reconciled version into law.)

The Chamber opposed the amendment, which would have raised significantly the insurance premiums of business owners, making health-care plans unaffordable for many small employers. Moreover, it would have opened the door to additional federal benefit mandates.

## 6. Mental-Health-Benefit Parity

The Senate rejected 65-33 a motion to table and thus kill an amendment to the Health Insurance Reform Act that would have required health-care plans to cover

mental illness to the same degree as other illnesses. (The House passed legislation similar to the Health Insurance Reform Act, and the president signed the reconciled version into law.)

The Chamber opposed the amendment, which, though later dropped by members of Congress responsible for reconciling the Senate and House bills, would have raised the insurance premiums of business owners by 8 to 11 percent, making health-care plans unaffordable for many small employers. (A weaker version of the amendment was later attached to an unrelated appropriations bill and enacted.)

## 7. Congressional Term Limits

The Senate rejected 58-42 a motion to limit debate on a proposed constitutional amendment that would have imposed a 12-year lifetime limit on congressional service in the House and the Senate. (It takes a three-fifths majority—60 votes—to limit debate in the Senate.)

The Chamber's membership expressed strong support for limiting the terms of members of Congress to help ensure the accountability of lawmakers.

## 8. Balanced-Budget Amendment (H.J.Res. 1)

The Senate rejected 64-35 a proposed constitutional amendment that would have required the federal government's total receipts for a fiscal year to be at least as great as its total outlays. A three-fifths majority of the House and the Senate would have been allowed to waive the requirement and approve a specific amount of deficit spending.

The provision would have taken effect after ratification by three-fourths of the states, but no later than 2002. (It takes a two-thirds majority of those present and voting—66 votes in this case—to pass a constitutional amendment in the Senate.)

The Chamber supported the balanced-budget amendment because statutory attempts to impose fiscal restraint have failed. The Chamber's membership believes that such an amendment would help return our country to sound economic principles and provide for continued economic growth and prosperity.

## 9. '97 Concurrent Budget Resolution (H.Con.Res. 178)

The Senate passed 53-46 the House-Senate compromise version of the fiscal 1997 budget resolution. (A budget resolution does not require the president's signature.)

The Chamber supported the concurrent resolution, also approved by the House, which sought to balance the federal budget by 2002, lower taxes by \$122 billion over six years, and reduce the size and intrusiveness of the federal government.

## 10. Minimum-Wage Increase/Small-Business Exemption

The Senate rejected 52-46 a pro-business amendment to a measure that increased the minimum wage. (The wage measure was ultimately signed into law.)

The amendment would have delayed by



State	1	2	3	4	5	6	7	8	9	10	11	12	13	'96 %	2000 %
<b>OREGON</b>															
HATFIELD (R)	7	*	*	-	*	-	*	-	*	*	*	*	*	67	57
WYDEN (D)	*	*	-	*	-	-	-	-	-	-	-	*	*	38	32
<b>PENNSYLVANIA</b>															
SANTORUM (R)	-	*	*	*	-	-	*	*	*	*	*	*	*	77	86
SPECTER (R)	*	*	*	*	-	-	*	*	*	*	*	*	*	77	58
<b>RHODE ISLAND</b>															
CHAFEE (R)	-	*	*	*	*	*	*	*	*	*	*	*	*	92	61
PELL (D)	*	*	*	-	-	-	-	?	-	-	-	-	-	39	23
<b>SOUTH CAROLINA</b>															
HOLLINGS (D)	-	*	-	-	*	*	*	*	*	*	*	*	*	46	46
THURMOND (R)	*	*	*	*	*	*	*	*	*	*	*	*	*	92	88
<b>SOUTH DAKOTA</b>															
DASCHLE (D)	-	*	-	*	*	*	*	*	*	*	*	*	*	38	37
PRESSLER (R)	*	*	*	*	*	*	*	*	*	*	*	*	*	92	73
<b>TENNESSEE</b>															
FRIST (R)	*	*	*	*	*	*	*	*	*	*	*	*	*	100	100
THOMPSON (R)	*	*	*	*	*	*	*	*	*	*	*	*	*	100	95
<b>TEXAS</b>															
GRAMM (R)	3	*	*	*	*	*	*	*	*	*	*	*	*	100	89
HUTCHISON (R)	*	*	*	*	*	*	*	*	*	*	*	*	*	92	98
<b>UTAH</b>															
BENNETT (R)	*	*	*	*	*	*	*	*	*	*	*	*	*	92	96
HATCH (R)	*	*	*	*	*	*	*	*	*	*	*	*	*	92	91
<b>VERMONT</b>															
JEFFORDS (R)	-	*	*	-	-	-	*	*	*	*	*	*	*	82	55
LEAHY (D)	*	*	-	-	-	-	-	-	-	-	-	-	-	23	25
<b>VIRGINIA</b>															
ROBB (D)	*	*	*	*	*	*	*	*	*	*	*	*	*	46	36
WARNER (R)	*	*	*	*	*	*	*	*	*	*	*	*	*	85	85
<b>WASHINGTON</b>															
GORTON (R)	*	*	*	*	*	*	*	*	*	*	*	*	*	100	78
MURRAY (D)	-	*	-	-	*	-	-	-	-	-	-	-	?	17	22
<b>WEST VIRGINIA</b>															
BYRD (D)	-	*	-	-	*	*	*	*	*	*	*	*	*	23	30
ROCKEFELLER (D)	-	*	*	*	*	*	*	*	*	*	*	*	*	46	30
<b>WISCONSIN</b>															
FEINGOLD (D)	-	*	-	*	*	*	*	*	*	*	*	*	*	31	31
KOHL (D)	-	*	*	*	*	*	*	*	*	*	*	*	*	69	37
<b>WYOMING</b>															
SIMPSON (R)	*	*	*	*	*	*	*	*	*	*	*	*	*	85	85
THOMAS (R)	*	*	*	*	*	*	*	*	*	*	*	*	*	92	96

six months the effective dates of the wage increase; would have retained the previous rates for new hires for the first six months of employment; and would have exempted from the increase employees of any business with annual gross sales under \$500,000.

The Chamber supported the amendment, which would have restored the \$500,000 threshold eliminated by Congress in 1989.

A small-business exemption is necessary to safeguard the economic viability of America's smallest firms, which are hardest hit by a minimum-wage increase, the Chamber argued.

## 11. Management-Labor Cooperation (H.R. 743)

The Senate passed 53-46 the Teamwork for Employees and Management (TEAM) Act, which would have allowed nonunion employers to establish workplace teams to examine and recommend action on various workplace issues such as scheduling, work assignments, and health and safety matters. Currently, it is illegal to encourage the formation of such teams to address important workplace issues unless the employees are represented by a union. Because of the threat of penalty, employers and employees are unable to

benefit from such cooperative efforts. (The House passed similar legislation, but the president vetoed the reconciled version.)

The Chamber supported the TEAM Act as an important means of making U.S. companies more competitive and efficient through employee involvement in addressing issues in the workplace.

## 12. Welfare Reform (H.R. 3734)

The Senate passed 74-24 budget-control legislation whose central component revamped America's 61-year-old welfare system by turning over to states, through block grants, key federal assistance programs. The measure is projected to save taxpayers \$55 billion over six years. (The House passed a similar welfare-reform measure, and the president signed the reconciled version into law.)

The Chamber viewed welfare reform as one of its highest legislative priorities in 1996. The Chamber believes that a reformed welfare system should be a transitional system leading to work. As the private sector is a critical component of employment and job training, the Chamber supported this and other welfare-reform measures that require welfare recipients to attain the knowledge, skills, and attitudes necessary to enter and succeed in the workplace. The Chamber supported reform to increase state and local flexibility in the delivery of federal programs that will help ensure effective job training and job placement.

## 13. Health-Insurance Reform (H.R. 3103)

The Senate passed 98-0 the House-Senate compromise version of the Health Coverage Portability and Accountability Act, which makes it easier for small businesses to offer health-care coverage and allows workers to carry their health insurance from job to job. The legislation also limits insurers' ability to use pre-existing health conditions as grounds for denying coverage to individuals; requires insurers to renew most policies; and allows by 1999—on a phased-in basis—750,000 individuals to establish tax-free accounts to pay for medical expenses. In addition, the legislation increases gradually the health-insurance deduction for the self-employed and unincorporated businesses from the current 30 percent to 80 percent in stages by 2006.

The Chamber supported this market-based measure, which was also approved by the House and signed into law by the president, as a way to improve the affordability and availability of health coverage.





State & District	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	'96 %	CUM %
<b>ALABAMA</b>																		
1 CALLAHAN (R)	*	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	100	91
2 EVERETT (R)	+	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	94	90
3 BROWDER (D)	+	+	+	+	+	+	+	+	+	-	-	-	+	+	+	-	89	83
4 BEVILL (D)	+	+	-	-	-	+	+	+	+	-	-	-	-	-	-	-	44	47
5 CRAMER (D)	+	+	-	+	+	+	+	+	+	-	-	-	+	+	-	-	63	50
6 BACHUS (R)	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	94	90
7 HILLIARD (D)	+	+	-	-	-	-	+	-	-	-	-	-	-	-	-	-	31	22
<b>ALASKA</b>																		
YOUNG (R)	+	+	+	+	+	+	+	+	+	-	-	+	+	+	-	+	81	69
<b>ARIZONA</b>																		
1 SALMON (R)	+	+	+	+	+	+	-	+	+	+	-	-	+	+	+	+	88	80
2 PASTOR (D)	+	-	-	+	-	-	+	+	+	-	-	-	-	-	-	-	38	29
3 STUMP (R)	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	94	89
4 SHADEGG (R)	+	+	+	+	+	+	-	+	+	+	-	-	+	+	+	+	88	84
5 KOLBE (R)	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	94	85
6 HAYWORTH (R)	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	94	97
<b>ARKANSAS</b>																		
1 LINCOLN (D)	+	-	-	+	+	+	+	+	+	-	-	?	?	?	?	?	64	64
2 THORNTON (D)	+	-	-	+	-	?	+	+	+	+	-	-	+	-	-	-	40	43
3 HUTCHINSON (R)	+	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	94	91
4 DICKEY (R)	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	?	100	92
<b>CALIFORNIA</b>																		
1 RIGGS (R)	+	+	+	+	+	+	+	+	+	-	-	+	+	+	+	+	81	90
2 HERGER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	80
3 Fazio (D)	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	25	31
4 DOOLITTLE (R)	+	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	94	87
5 MATSUI (D)	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	19	23
6 WOOLSEY (D)	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	19	18
7 MILLER (D)	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	13	20
8 PELOSI (D)	+	+	+	+	+	+	-	+	+	+	+	+	+	?	+	+	13	16
9 DELLUMS (D)	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	0	14
10 BAKER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	83
11 POMBO (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	81
12 LANTOS (D)	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	13	25
13 STARK (D)	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	6	18
14 ESHOO (D)	+	+	+	?	?	+	+	+										



federal crop programs with fixed payments on a declining schedule for seven years.

The fixed payments replace the deficiency payments that were made to farmers when the market prices of certain crops fell below target prices established by the Agriculture Department. (The Senate passed similar legislation, and the president signed the reconciled version into law.)

The Chamber supported the market-oriented reforms, which removed Depression-era government mandates and controls on farmers while saving taxpayers about \$10 billion by 2002.

### 3. Line-Item Veto/ Regulatory Flexibility

The House passed 232-177 the rule for consideration of legislation that included three pro-business measures.

The first in effect grants the president authority until Jan. 1, 2005, to veto line items in appropriations bills, some tax breaks in revenue bills, and new entitlement spending. (As always, Congress can override a presidential veto by a two-thirds vote of both houses.)

The second measure strengthens the Regulatory Flexibility Act of 1980 by making it easier for small-business owners to challenge burdensome federal regulations. The measure also gives Congress authority to review major agency rules before they take effect.

The Regulatory Flexibility Act required federal regulatory agencies to examine a proposed rule's impact on small businesses and to rewrite it if it would have a significant adverse impact, but the statute lacked an enforcement provision. The new law empowers small firms to sue in federal court to ensure enforcement of the Regulatory Flexibility Act.

The new law also allows Congress to veto major regulations—those with an economic impact of more than \$100 million—within 60 legislative days after the final rules are proposed by federal agencies. (The line-item-veto and regulatory-flexibility measures also were approved by the Senate, and the president signed them into law.)

The third measure increases the amount of annual outside earnings that Social Security beneficiaries can earn before their benefits are reduced.

The Chamber supported the line-item veto as a tool for achieving spending restraint and long-term deficit reduction. It backed the regulatory-flexibility measure as a step toward improving the federal regulatory system, which costs American businesses more than \$600

State & District	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	'96 %	CUM %
24 BEILSONSON (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	19	25
25 McKEON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
26 BERMAN (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	19	25
27 MODERHEAD (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	99
28 DREIER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	93
29 WAXMAN (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	13	22
30 BECERRA (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	23	22
31 MARTINEZ (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	31	27
32 DIXON (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	19	25
33 ROYBAL-ALLARD (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	25	23
34 TORRES (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	14	24
35 WATERS (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	19	13
36 HARMAN (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	80	65
37 MILLENDER-McDONALD (D)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20	20
38 HORN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	80	68
39 ROYCE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	90
40 LEWIS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	83
41 KIM (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
42 BROWN (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	25	23
43 CALVERT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
44 BOND (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	97
45 ROHRBACHER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	93	88
46 DORNAN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	90	86
47 COX (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	87
48 PACKARD (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	93	92
49 TILBRAY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	95
50 FLNER (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	29	27
51 CUNNINGHAM (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	81	90
52 HUNTER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	86
<b>COLORADO</b>																		
1 SCHROEDER (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	7	30
2 SKAGGS (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	19	34
3 McINNIS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	90
4 ALLARD (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	92
5 HEFLEY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	90
6 SCHAEFER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	88
<b>CONNECTICUT</b>																		
1 KENNELLY (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	25	28
2 GEJDENSON (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	20	24
3 DiLAURO (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	19	22
4 SHAYS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	89	84
5 FRANKS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	91
6 JOHNSON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	81	71
<b>DELAWARE</b>																		
CASTLE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	93
<b>FLORIDA</b>																		
1 SCARBOROUGH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	91
2 PETERSON (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	31	43
3 BROWN (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	31	29
4 FOWLER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	82	91
5 THURMAN (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	25	38
6 STEARNS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	81
7 MICA (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	92
8 McCOLLUM (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	90
9 BLIRAKIS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	83
10 YOUNG (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	85	80
11 GIBBONS (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	25	45
12 CANADY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	92
13 MILLER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	94
14 GOSS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	88
15 WELDON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
16 FOLEY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	86
17 MEER (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	33	29
18 ROS-LEHTINEN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	73	72
19 JOHNSTON (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	13	34
20 DEUTSCH (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	53	48
21 DIAZ-BALART (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	80	74
22 SHAW (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	87
23 HASTINGS (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	70	21
<b>GEORGIA</b>																		
1 KINGSTON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	86	90
2 BISHOP (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	44	42
3 COLLINS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	87
4 LINDER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	98
5 LEWIS (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	19	17
6 GINGRICH (R)*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	90
7 BARR (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	94	95

\*Speaker of the House casts ballots only on floor or conference issues.



















The Chamber also regarded welfare reform as a critical element in the long-term effort to control federal spending.

### 15. Compensatory Time Off For Overtime Work (H.R. 2391)

The House passed 225-195 legislation that would have permitted private-sector workers, with their employer's consent, to choose equivalent compensatory time off in lieu of overtime pay for each hour over 40 worked in a week. Workers now must be paid one-and-a-half times their hourly wage for overtime work, and employers who attempt to be "worker-friendly" by offering a compensatory-time option are subject to fines by the U.S. Department of Labor. (The Senate did not vote on this or similar legislation in 1996.)

The Chamber supported the legislation, citing a 1995 study by the Women's Bureau of the Labor Department that found that the leading concern of working women was flexible work scheduling. The Chamber also cited a public-opinion poll conducted in 1996 by Penn & Schoen Associates, a New York City firm, that found a 75-percent level of support for elective compensatory time.

## 16. Mental-Health Benefits

The House rejected 228-198 a motion to send the compromise version of the Health Coverage Portability and Accountability Act back to the House-Senate conference committee with instructions to include mental-health-coverage requirements in the bill. (The compromise measure was subsequently approved by the House and the Senate, and the president signed it into law.)

The Chamber opposed the motion because a mandate on business to place mental-health benefits on a par with other benefits would increase insurance costs and reduce the availability of coverage.

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## Budget Amendment

# Close Votes Likely In Senate, House

Continued From Page 1A

Senate were expected to vote on the measure in early March.

The amendment—which requires the approval of two-thirds of the representatives and senators present and voting—would require Congress to approve yearly federal budgets with spending equal to or less than anticipated revenues. Under the amendment, a three-fifths majority of both houses of Congress could waive the balanced-budget requirement and approve a specified amount of deficit spending. A constitutional majority—51 votes in the Senate and 218 in the House—would be required to raise taxes.

"The Chamber is convinced that the balanced-budget amendment will place

renewed emphasis on fiscal discipline, forcing Congress to slow government spending while constraining its ability to raise taxes," said Martin A. Regalia, the federation's vice president and chief economist, in recent testimony before the Senate Judiciary Committee.

If a balanced-budget amendment is approved by the required majorities in each house of Congress, it would be sent to the states for ratification. Approval of 38 states would be required for ratification.

In January 1995, the House passed a resolution calling for a balanced-budget amendment by a 300-132 vote—10

votes more than were needed for approval. The Senate, however, twice narrowly defeated its resolution. The votes were one short of passage in March 1995 and two short in June 1996. The votes in both chambers are expected to be close again this year.

The Clinton administration is opposed to a balanced-budget amendment to the Constitution.



Contact your lawmakers immediately and urge their support for a balanced-budget amendment. Dial your senators at (202) 224-3121; call your representative at (202) 225-3121.

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